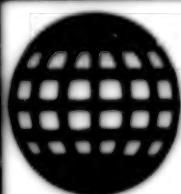


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CONTENTS

4 February 1992

ALBANIA

Nano Report to First Socialist Party Conference	(ZERI I POPULLIT 29 Nov)	1
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BULGARIA

Progress, Future Plans of Business Group	(DELOVI SVYAT 1 Jan)	14
Future Ideological Basis of BSP Analyzed	(DUMA 13 Dec)	14
Contested Election in Kurdzhali Resolved	(DEMOKRATSIYA 20 Dec)	17
Background, Future of Automobile Market	(BULGARSKI BIZNES 2 Dec)	18
Delay in Introducing Value-Added Tax Criticized	(DELOVI SVYAT 2 Dec)	20

CZECHOSLOVAKIA

Czech-Slovak Rightist Coalition Examined	(VEREJNOST 11 Jan)	22
Controversial Slovak Emigre Returns for Visit	(RESPEKT 12 Jan)	22
Annexation of Ruthenia Open Question	(VEREJNOST 14 Jan)	24
Results of KDH Zilina Convention Analyzed	(LIDOVE NOVINY 18 Jan)	24
Komarek's Criticism of Economic Reform Rejected		25
Shock Therapy Viewed With Skepticism	(RUDE PRAVO 27 Dec)	25
U.S. Tour Planned	(LIDOVE NOVINY 8 Jan)	28
No Alternative to Radical Reform Seen	(LIDOVE NOVINY 3 Jan)	28
Populism Seen as Threat to Reform	(RESPEKT 4 Jan)	29
Transformation of Cooperatives Discussed		31
Voluntary Cooperatives	(HOSPODARSKE NOVINY 18 Dec)	31
Members' Responsibility	(HOSPODARSKE NOVINY 18 Dec)	34
Economic Reform Viewed by Independent Economists	(LIDOVE NOVINY 31 Dec)	36
Commercial Code Poses New Problems for Businesses	(MLADA FRONTA DNES 31 Dec)	40
Problems Noted With Large-Scale Privatization	(SVET HOSPODARSTVI 19 Dec)	40

HUNGARY

Kupa in German Weekly: Shock Therapy Unnecessary	(Duesseldorf WIRTSCHAFTSWOCHE 20 Dec)	44
German Weekly: Hungarian Good Mood Unwarranted	(Duesseldorf WIRTSCHAFTSWOCHE 20 Dec)	44

POLAND

Commentary on Government's Policy Choices	(TYGODNIK SOLIDARNOSC 3 Jan)	46
PSL Role in Parliament, Government Discussed	(TYGODNIK SOLIDARNOSC 3 Jan)	47
Political Prognoses by Party Representatives	(RZECZPOSPOLITA 2 Jan)	48
Demise of Greens as Political Group Examined	(GLOB 3-5 Jan)	51
Specifics of Polish-Russian Trade Agreement	(RYNKI ZAGRANICZNE 2, 4 Jan)	52
POLITYKA Weekly News Roundup: 5-11 Jan	(11 Jan)	53

YUGOSLAVIA

Milosevic's Wife on Country's Present, Future	(POLITIKA INTERNATIONAL WEEKLY 18-24 Jan)	55
Bosnia of Crucial Importance to Defense Industry	(VREME 21 Oct)	58

Nano Report to First Socialist Party Conference

92P20114A Tirana ZERI / POPULLIT in Albanian
29 Nov 91 pp 1-4

[Report of Fatos Nano, chairman of the steering committee for the first conference of the Socialist Party of Albania, which was held in Tirana on 25 November]

[Text] The first national conference of the Socialist Party of Albania (PSSH), which we are holding today, is an important moment in the life of the PSSH. The mission of this assembly of Albanian socialists is to analyze the process of the formation and consolidation of the PSSH ever since its creation on 12 June 1991 and to approve the basic program, the social program, and other documents which determine the political character of our party as a force of the European democratic left, capable of supporting, stimulating, and directing the extension of multilateral reforms and the integration of Albania in the democratic and civilized world. On the basis of these documents and this assembly, a clear and unequivocal response is given to the need for the choice of democratic socialism in the pluralistic spectrum of Albania, to the complete dissatisfaction with the command-management type of socialism, and to the need for an honest political effort which will help to install a balanced democracy to the benefit of national reconciliation and the unity of the Albanian nation.

The creation of the PSSH at the 10th Congress of the Workers Party (PP) was the logical result of the internal developments in our society and the drastic changes in East Europe. The development of district conferences has shown that the members and supporters of the PSSH completely and clearly understand that the 10th Congress of the Albanian Workers Party had a twofold mission and nature: on the one hand, to complete the mission of the PP, from a political and organizational standpoint, and to close the complicated party-state chapter in the history of postwar Albania, and on the other hand, under the pressure of the reformers and of honest individuals within and outside the party, to be transformed into a congress which would establish a new party with a sound socialist democratic orientation, completely different from the PSSH and the other communist parties. This was a legal and legitimate, honest and public act which was the culmination of a process confirmed by time and which was also confirmed unanimously by the democratically elected delegates.

This turn of events made it unnecessary to disband the previous party as a condition for the founding of the Socialist Party. This is why, at the founding congress, it received mass approval, on the one hand, as the work of the most progressive, reforming and democratic forces, of honest people inspired and guided by the ideals of democratic progress, who had made many proposals, including a name for the new party. On the other hand, the reforming activity was not interrupted, but it ensured the further continuation of the process of forming the party and of processing its programs on the basis of the

rich experience of the European socialist and social democratic parties, with which necessary and fruitful contacts and exchanges were executed.

Our Socialist Party is not the continuation of the Workers Party. On the basis of its program, political line, organizational character, and broad social base, it is a completely new party. The members of the Albanian Workers Party who, with full awareness, joined our Socialist Party have found in its democratic program the expression and representation of their complex individual, private, and social interests.

This is connected with the fact that our party upholds the ideals of freedom, justice, solidarity, humanism, and of the progress and social protection of the workers and of broad underprivileged strata of society. The fact that the model of state socialism which was applied in our country failed, just as it did in the other countries of East Europe, is not proof of the failure of socialist ideals. As history and present-day international realities show, the democratic ideals of socialism remain serious political alternatives for social development under conditions of capitalism. Thus, realistically examining the current conflicts on the global level, our Socialist Party regards the socialist political alternative not as a concrete model which must be implemented but as a living historical movement. Therefore, it will work, by democratic means and methods, to ensure that, in the framework of the state of law and the market economy, the social protection of workers and of the broad strata of the underprivileged in Albanian society will be ensured and that they will be integrated without discrimination in the system of the market economy.

Without aiming to copy concrete models, we can say that the parties of the Socialist International in Europe have had a fruitful experience. For years, they have been working for the protection and concrete application of democratic socialism. Our party, in contacts with this group, has advertised itself and is asserting itself as a member of the European democratic left, with the aim that in the near future we will become full members of the Socialist International.

As you have learned from the materials of our conference, our party's basic positions on economic, political, social, organizational, and theoretical issues were discussed. The theoretical bases stipulated in the program, and the guidelines, economic principles, social program, political and juridical concepts sanctioned in it are, simultaneously, key indicators of the identity of our party and a great and important step toward its political and organizational consolidation.

Our attitude toward the program should be dynamic and not static. It requires further improvement in accordance with European democratic processes and the objective course of development of events. Therefore, it is necessary that the party prepare a concrete program of activity which will be oriented toward the solution of current

transitional problems, aiming at a long-term solutions which will be of use in the future.

With the realism of scientific objectivity, the PSSh Steering Committee has insisted, during this period, that reforms in the party be in line with reforms in society, so that the liberation from the past prejudices in regard to socialism and the assimilation of the program of our party will take place in a normal manner, with scrutiny, clarity, and the elimination of sentimentality, with a realistic evaluation of historic tradition, with attention to the future. Along these lines, important steps have been taken to consolidate the party, which are reflected in the attitudes of its members and supporters, in the meetings of organizations, in other meetings, in letters, and in the opinions expressed in the party press, etc. Nevertheless, we must be careful because this is a difficult problem which is connected to needs and feelings, to the numerous efforts and sacrifices which honest people have made to achieve a better, worthy, and free life. We must respect these feelings and aspirations and support them and, on the basis of them, we should defend and enrich our party's program. We will be able to do this work well if we combine agitation and propaganda work with concrete activity. We must keep clearly in mind that our party is not and cannot be turned into a party confined to an office or into a discussion club. It is and must be, even more so in the future, a party of concrete democratic activity and action.

In the present period, our party has its problems but this does not mean that it should turn inward because of these problems. A party which is concerned only with itself is an organization which is apart from reality. Therefore, we should be seriously concerned with the complicated problems of the political and socio-economic situation through which the country is passing, but not as a state-party. We are and should be a real parliamentary party which maintains concrete ties with the people and guarantees the legal protection of their interests. Parliament, the government, the economy—everything in our country is going through a transition. Now, more than ever, the country needs the stability, respect, and improvement of democratic institutions and not their isolation and destruction. The PSSh is opposed to pressures which aim to hurt legitimate institutions. It is in favor of the realistic and objective establishment of the rule of law in the resolution of domestic economic, political, and social problems and the problems of integration in the world. We must define clear, well-thought-out attitudes, in the interest of the nation, the country, and the defense of our democratic achievements, so that the new developments of Albanian society will not degenerate into anarchy.

1. Problems of the development of the political struggle under the present conditions in the country

Since December of last year, the political spectrum of the country has continued to be enriched by the formation of new parties, by the expansion of the dimensions of the multiparty pluralistic system, which currently extends

from the far left to the far right. Our party welcomes other parties and extends its best wishes to them so that they will, in their work, aid in the development of democracy, the strengthening of national unity and of the freedom and independence of the country and the resolution of the great economic and social problems faced by the country.

On the basis of its feeling of responsibility in regard to the problems faced by the country, our party has believed and still believes that, in this transition period, Albania needs a coalition government based on a broad social contract for the rapid surmounting of difficulties. Therefore, we took a mature political step which resulted in the creation of the National Stability Government. There were people, in the country and outside the country, from the ranks of the opposition and also in our party, who thought that this step and the agreement reached among the major political parties were signs of the weakness of the Socialist Party and the reduction of its importance and its role in society. A careful analysis of the situation, without passion and with no partisan aims, will produce the conclusion that we are dealing with a mature attitude, the seriousness of the high responsibility of the Socialist Party for the fate of the country and of democracy. The best argument for this is the perceptible reduction of political tensions, the normal activity of parliament and of the stability government. These have made it possible for the stability government to work with intensity to prepare and execute the economic reform and to stabilize the country. For all these things, history will highly evaluate the responsible attitude of the Socialist Party, which never fostered tensions or antidemocratic policies during these months.

While some opposition parties, separately and with joint activities, openly violated the agreement on public peace and order and directed disloyal attacks and slanders against the Socialist Party, we kept our composure and maintained a correct and well-justified public attitude, for the solution of the real problems facing the country and not for the imaginary difficulties which are being created by the opposition in the struggle for power.

Our party has always sought democratic forms, ways, and means for resolving inherited problems, for developing an honest political struggle, based on facts, arguments, and historic truth, in the interest of the nation, the country, and democracy, in accordance with the law-governed state and in the interest of the development and strengthening of the freedom and independence of the country and the protection of the interests and freedoms of the individual and of the majority of the people. Composure, tolerance, open democratic dialogue, and constructive debate with a spirit of understanding have been and will remain basic principles and criteria for the political involvement of the Socialist Party in the struggle for the institutionalization of true democracy and the progress of the country. The further consolidation of these democratic methods and the

continuing ability to apply them correctly are important duties for all members of our party and its administrative links.

In a situation in which open alliances of the opposition, such as the one between the Democratic, Republican, and Social Democratic parties, have taken concrete form, the issue of determining the allies of the Socialist Party assumes special importance. The PS [Socialist Party] will seek to expand contacts and dialog with other parties on the basis of affinity of programs and these parties have the right to make opposing alliances. This activity is of special importance and it should be carried out with great responsibility because it is connected with the preservation of political initiative for the expansion of democratic reforms in the country and not with the intention of holding on to power, as they accuse us of doing. Now, in Albania, power is no longer monopolized by a group or caste by antidemocratic and dictatorial means. Therefore, we must not allow ourselves to lose the initiative and to be on the defensive against the attacks of the opposition, since we have committed ourselves only to defending democracy.

A mature, constructive, and resolute attitude toward law and order should not be understood as a retreat on the part of our party but as a realistic attitude which serves to reduce political and social tensions to the advantage of the progress of democratic processes. No one should think that our party is weak and is not capable of countering the attacks of the opposition. In the future, we will give greater importance to establishing and giving concrete form to alliances and meetings with other parties, especially with those which offer us programs, objectives, and political interests, etc. From the viewpoint of our program and our political orientation, we consider the Social Democratic Party to be a natural ally but it is in the hands of its leaders to ensure that the cooperation which has been produced between our two parties on the grassroots level be upgraded to permanent political relationships between the two democratic forces on the left whose programs converge both on the domestic level and on the international level. We do not have any bias in regard to this.

Our party does not conceive of or aim at developing these relationships from on high, in the role of a teacher, or to merge and to unite with it [the Social Democratic Party] or to have formal educational sessions. No. Contact with other parties is necessary for building alliances which promote balanced democratic processes in Albania and effective policy initiatives must be adopted for this purpose. This work will be carried out successfully if it is based on a spirit of national unity and of responsibility in regard to the serious and pressing political and socioeconomic problems facing the country. Each party can carry out its role in society if it operates within the democratic framework of the law-governed state.

The opposition press, various attitudes in parliament, organized meetings, etc. gave the impression that no

talking points can be found with the opposition. This opinion should not be allowed to gain ground. The possibility of finding talking points exists because we both reject the previous system and, in general, we agree on the structure of the future society (a market economy, democratic, pluralistic, a law-governed state). Thus, there are nationwide issues, such as national unity and the strengthening of the freedom and independence of the country which we can discuss and cooperate on. We must understand this attitude properly, since it is a sign of the maturity and the high feeling of responsibility of our party. All these things do not make our training superfluous but, rather, they increase its value in an effective and decisive political struggle with the opposition in parliament, in the press, etc.

Our party's program will also serve as a strong base in the ideological struggle with the opposition. The purpose of this struggle will be the defense and implementation of the balanced alternatives which the program contains. Our party will seek to ensure that the political struggle is carried out with transparency, with ethics and culture, with convincing and scientific arguments, far removed from the slanders and prejudices which often characterize the current political struggle of the opposition parties. This will require the greatest possible involvement of intellectual forces, both young and old, of able and honorable forces, which, fortunately, are in the majority in the ranks of our party.

The political struggle should also aim at arousing the process of democratic reform in the opposition parties in order to lessen the influence of extremists, revanchists, and egotists in the new political life of the country.

In the future, too, we will carry out the political struggle in the parliament, first of all. On the whole, the deputies of our party in parliament have worked hard to defend the party line by democratic methods and convincing arguments. We have given the necessary attention to eliminating the deficiencies noted in the beginning in regard to the concept of party-parliament relations and this concept has been placed on the best organizational bases. The aim of the leadership of our party is to ensure that good preparatory work is done, that the necessary strategic and tactical positions are prepared on schedule, and that the argumentative force of our party in the political struggle, which it is waging in parliament through its parliamentary group, is increased.

Party-government relations are of special importance. The concept of "freezing," which was adopted, actually froze relations between our ministers and the party for some time. This situation is not normal or proper. It is true that we have a coalition government but our ministers in the government must convey the ideas of our program and the attitudes of our party while working out realistic and open solutions to achieve effective compromises. Regular and uninterrupted contacts between our ministers and the party are of special

importance. This requires better organization, with the most suitable organizational forms, in order to ensure continuing contacts.

The press is the most important tool of our party in the political struggle. We are placing higher value on the work of the press. The party press must position itself better in seeking solutions for carrying out our party's program and determining its nature and it must encourage debate and free expression of the opinions of the members and supporters of our party. We must always make a distinction in the press between articles by individual authors and the statements, documents, and decisions of the party. It is important to ensure that the press does not operate under the old mentality which considered an individual article to represent the position of the party or its leadership. It is of special importance that we be fair and objective and that we be supported by accurate information and arguments. Only in this way will we be able to protect the interests of the masses whom we represent. In this regard, it is important that we ensure effective contacts and cooperation with the trade unions and with associations of all types which are currently operating in our country. Their role has been increasing despite the fact that, in the attitudes toward them, especially at the grassroots, there are still some practical and theoretical questions about their activity. At the same time, our party, keeping in mind the experiences of the European socialist and social democratic parties, should give greater support to the groups which are organizing socialist youth forums, socialist women's forums, etc., within the party.

The current political situation in the country, which is worsening as a result of the activity of uncontrolled and extremist forces which have destabilized the system, and, also, as a result of economic paralysis and of spontaneity and speculation on the market, makes it necessary to increase the acceptance and the influence of the Socialist Party in the ranks of the broad masses of the people, who are extremely upset because of difficult situation which we are experiencing. Despite the recent efforts of the organs of government and the forces of law and order, there has been no change in the situation. This has further increased the insecurity and destabilization of the country and has prevented the implementation of the reform and the effort to ensure food and normal life and work for the people. The most recent painful sign of this has been the blocking of roads and the strikes, the pillaging of aid and warehouses and, in particular, the uncontrolled speculation with the prices of absolutely essential items.

The Socialist Party believes that the separation of the legislative, executive, and judicial powers is a democratic achievement but these branches must be effective and must impose the implementation of the law in every field. Democracy has two inseparable sides: You are free, but you must also be legally responsible for the rights and duties of others. It is an undeniable fact that the legislative branch has functioned normally by approving a number of important laws. But the work of the executive

branch cannot be evaluated chiefly on the basis of the judiciary. The organs of justice and of the protection of law and order are among the weakest links of our democracy. We must be clearly convinced that the protection of democratic laws requires the organization of a restrictive apparatus which will exert coercion on the basis of the laws. This is not a return to the dictatorship but a guarantee that democracy will not be transformed into national anarchy.

The political solution which was reached by the creation of the pluralistic committees in the districts was necessary in light of the total paralysis of the local executive power. But, we note with sadness that this solution has not produced the expected results. Partisan mentalities and attitudes are preventing them from operating normally and effectively in implementing the laws, especially for the stabilization of the economy, the division of the land, the supplying of the people, the establishment of public peace and order, etc. In fact, a difficult situation has been created, calling for new general elections for the top organs and the local organs of government. For this purpose, meetings have been organized between the parties in the coalition government and representatives of the Council of Ministers and the presidency of the People's Assembly.

As a party, we have consistently observed the agreement reached among the political parties related to peace and order and the decision that elections would be held at a time agreed upon by the political forces. The aim of any opposition party to hold elections this year would not be in the interest of the stability of the country and would be, for all practical purposes, impossible because the legislation has not been prepared. The PSSh supports the opinion and arguments of the National Stability Government and the parliament in regard to the elections, that they should take place next year, as soon as the minimum essential economic, organizational, and legislative conditions are met. We have given our support and have encouraged the National Stability Government and other government organs to ensure food and other needs for the people for the winter, to complete the distribution of land to the majority of the peasants in the country and revitalize agricultural and livestock production, to begin reforms as soon as possible by privatizing trade and services, to return people to work by supplying some essential raw materials, to draft the election law, to implement administrative reforms in local government, and to approve a new Constitution as a legal basis for truly free and democratic elections. Otherwise, we would embark upon endless rounds of unprepared elections, destabilizing the country and interrupting the democratic reforms in the country and the implementation of cooperation agreements with foreign partners.

We will continue the dialog on the serious political and socioeconomic situation in the country with other parties, with the government and with parliamentary groups, remaining open to realistic and constructive solutions which reduce unnecessary tensions and exert

control over spontaneous and anarchistic actions which endanger democracy in Albania, with the high responsibility which the situation of the Balkan crisis demands.

2. We must take a firm stand to distance ourselves from the Albanian Workers Party and Enver Hoxha.

The repeated requests for a more detailed and more substantiated explanation of the attitude of the Socialist Party toward the Workers Party and toward Enver Hoxha are natural and are the result of the objective and subjective circumstances in which the Socialist Party was created.

The nature of a party is determined by its social base, the objectives which it places before it, and the theory which guides it. It is a fact that the Socialist Party differs from the Workers Party in these three key elements. The program and also the experience of the past few months prove that the social base and the ideology of the PS are different and much broader than those of the PP, which called itself the vanguard of the working class and was guided by dogmatized Marxist-Leninist ideology.

The PSSh is not a communist party, that is, a party of the extreme left. It does not support Marxist-Leninist ideology, but it upholds the open socialist ideals of freedom, social justice and solidarity, humanism, and the national identity of Albanians in the democratic community of civilized peoples. It condemns the canonical rule of ideologized and politicized dogmas, even if they are "democratic," in culture, art, science, morals, religion, and social relations.

The PSSh does not defend the "dictatorship of the proletariat" and denounces the sectarian development of the class struggle as "the motivating force of social development." It uses only democratic means and methods in the parliamentary framework of the law-governed state, for the protection of the interests of the underprivileged strata of the cities and villages, be they workers, intellectuals, or small and medium-size property owners.

The PSSh is opposed to anonymity of ownership and the depersonalization of the interests of the individual; it strives for the institutionalization of a market economy with social dimensions, in which the freedom of private, in addition to public, ownership and initiative will be guaranteed as well as equal norms for competition, by means of the preservation of the programming, monitoring, and balancing role of the state for the proper distribution of the wealth on the basis of the real contribution of the business and of a fiscal system which does not exclude the citizen but integrates him in society.

The PSSh condemns the isolationist concepts and practices of "independence through autarky" and of "reliance completely on our own forces." It is in favor of the full integration of the country into the world economy, on the basis of the idea that "independence is actually ensured through interdependence" and it supports all contemporary practices of international cooperation which ensure the partnership of states and businesses,

without neglecting the interests of the restoration of the national economy and giving proper attention to the presentation of its supplementary and competitive natural resources on the world market.

The party is in favor of a society with a market economy, with political pluralism, with a law-governed state, which is based on a human dimension in accordance with the documents of the CSCE and the Paris Charter. This proves that the PSSh is a new party and not simply another name for the Workers Party, as happened in 1948 when the Albanian Communist Party became the Albanian Workers Party and did not change a bit in its program as a Leninist type of party. In its program and in its activity, the PSSh is a serious, political alternative, with a broad social base, which directs itself toward all those who are interested in sound democratic developments for the benefit of the Albanian nation and all those who need social protection and really want freedom, equality, social justice, and human solidarity. Should you have a guilt complex or an inferiority complex, in the light of such noble and honorable commitments to the country?

Not only must the PS not be identified with the PP but, also, it must not be thought of as its offspring. Those are simply political and electoral maneuvers of the opposition. The PSSh is the product of objective and subjective factors of the times and of the socioeconomic and political events in Albania and in the world after 1989. This is the period which marked the end of the eastern type of socialism in Albania and the end of the architect and leader of this socialism, the PP. The end of the PP began with the outbreak of the social, intellectual, and economic crisis, with the birth of pluralism, with the essentiality of the conversion to the market economy, with the elimination of the PP in theory and practice, from the pillars of Stalinist socialism, from its undivided role of leadership in the entire life of the country, with the abandonment of the dictatorship of the proletariat and the inquisitorial development of the class struggle, the undivided monopoly of the state over the means of production, the outlawing of private property, and the canonical rule of Marxist-Leninist ideology and the unprecedented absence of religion in all the former socialist countries of the Soviet bloc.

The most progressive members of the Workers Party felt the "old age" of the party and initiated and paved the way for democratic processes. In the process, an election program was approved and proclaimed, which, in its basic objectives, clashed with the activity and practice of the PP up to that time. The great majority of the party members, convinced that the party should be changed, accepted, defended, and publicized the election program, which was obviously not communist. This showed the maturity of the belief of the great majority of the members that the PP had to leave the Albanian political scene, not only as the bearer of the party-state system but currently as a force which is incapable of responding to the interests of the people now and in the

future. The fact that the majority of the grassroots organizations, along with making suggestions for improving the draft program, asked that the party be called a socialist party, is very significant. As an indication of the seriousness of the discussion, this demand calls not for a formal change but for an appropriate characterization of the entirely new content of the party which is the embodiment of the draft program.

The proceedings of the Congress are well known. The months which followed the Congress were used to strengthen the PS, to form socialist democratic views and disseminate them among the members, to form and implement new means, ways, and concepts in regard to the current political struggle in Albania, to control the crisis and to stabilize life in the country in order to achieve economic reform, to protect, accelerate, and consolidate democracy, by cooperation with other political forces, the trade unions, and other social organizations. A number of problems existing during the early summer have been eliminated. Any nostalgia for the past, for the PP and for Enver Hoxha has gradually disappeared. Possibilities have been created for a more mature statement of the attitude of the Socialist Party toward the Workers Party and toward Enver Hoxha. This evolution affects all Albanian public opinion and not simply the members and supporters of the PSSh.

The opposition parties took a firm and clear stand on this issue from the very beginning, according to them, the PP was a regressive force during its entire 50-year history, which did nothing for the people and the country, but only committed crimes and Enver Hoxha, its leader, was a bloody and lawless dictator. For the sake of the truth, the opinion of the PS, from the very day of its establishment, has had and still has its own individuality. This opinion has developed and has been expressed clearly during these months.

The complete denial of the social activity connected with the rule of the PP and of Enver Hoxha during these 50 years is neither objective, nor scientific, nor realistic. It is not in the interest of the history of Albania or of the present or future development of our society. It is a question of undeniable historic actions, which receive their value from the blood and sweat shed by honorable people in our country.

The Albanian Communist Party (PKSh) and Enver Hoxha played an historic role in the organization, leadership, and victory of the Anti-Fascist National Liberation War carried out by the Albanian people. During the decades after the war, our backward feudal country and its people experienced progress, overcame great difficulties, realized noticeable transformations, and created indisputable material and spiritual values. The socioeconomic reforms after liberation cannot be denied. These include: land improvement work and the draining of swamps, setting up industrial structures for the first time, establishing an entire energy base, eliminating illiteracy, the mass education of the people, the electrification of the country, the social protection system for

the workers. Therefore, we are a people and a nation prepared for current and future challenges, because we have created and protected, under excessively unfavorable historic conditions, values and traditions which are lasting, not only for the distant past. This is the difference between our view and that of the other political forces which uphold the viewpoint that all our recent history is regressive, filled only with mistakes and crimes.

Among the positive values of this period, the PSSh notes

- The role of the PKSh in the organization, leadership, and victory of the National Liberation War. For us, as for all the people. The innumerable sacrifices of the Albanian people and of the members and supporters of the PKSh, as well as their blood and the blood of tens of thousands of martyrs who gave their lives for the freedom of the homeland are and will remain sacred. The PSSh rejects, as an attack on the history of Albania, any attempt to denigrate or attack the period of the war, the victory over the Nazi fascists and their collaborators, and the symbols and monuments connected with this period.
- The role of the PKSh in the orientation and implementation of reforms of a deeply democratic nature in Albania, in the inspiration and direction of the enthusiasm of the popular masses which was a decisive factor in the rapid healing of the wounds of the war, in the definitive eradication of feudal vestiges and the placement of Albania on the road of European developments.
- The patriotic ideals and progressive actions which inspired and guided the masses of members of the PPSH in their work and efforts for the development of industry, agriculture, culture, education and science, for the protection of the freedom and independence of the homeland. The PSSh appreciates and will respect the hard work and sweat of workers, whether party members or not, laborers, peasants, and intellectuals who opened mines, dug tunnels and built dams, who drained swamps, prepared farmland and provided food for the people, who brought education and culture to every region of the country and who gave their name to Albanian literature, art, and science. The disillusion resulting from the failure in theory and practice of the model of scientific socialism and of the policy which was implemented should not result in despair and indifference in regard to contemporary political, economic and social developments.
- The PSSh respects and esteems the courage, determination, and commitment of the former members of the Workers Party in promoting the democratic processes in the political life of the country and their action of distancing themselves completely and honorably from the errors of the party and the state from the degenerate, megalomaniacal and incapable leadership of the PP and from the cult of Enver Hoxha.

The PSSh believes that the responsibility of the leadership of the Workers Party for the shortcomings, errors

and failures as a result of the adoption and implementation of the Soviet model of socialism is more serious than its responsibility for the errors and failures as a result of seeking and following "original" roads to socialism.

For half a century, the PP was the only organized political and authoritative force in Albania so its leadership bears full responsibility for all the developments and the excesses which put Albania in the situation which we are in now. However, our party is opposed to the uniform assignment of responsibility to all members of the Workers Party for past developments and for the negative results of the present. We are convinced that the responsibility for the errors, failures, and crimes of the past belongs mainly to the top leadership of the PP, especially the central figure of this party, Enver Hoxha, and his collaborators.

The Socialist Party distances itself completely from the PPSH as a party-state, from its policy and its errors and those of Enver Hoxha. More concretely

- From totalitarian socialism which life has proven to be a bankrupt and antidemocratic system. It has had a serious effect in the eastern countries and especially in our country where it took on an extreme form and content and brought serious consequences, stifling and drying up the real forces of development and progress. Therefore, the Socialist Party calls the erroneous theoretical and practical baggage of the past the "work" of the PPSH and Enver Hoxha. Ordinary communists should never be blamed for the "original" orientation and development of the class struggle when the party was transformed by Enver Hoxha into an arena for the fierce development of the class struggle. For about 50 years, "the most dangerous enemies" were exposed and attacked within the ranks of the party and in the state pyramid.

The party's condemnation of individuals which was followed by condemnation by the state, not only curbed opposing opinions but also prevented intelligent and honest discussion of the real problems of the country, created new social antagonisms, nurtured fear, formalism and servility, and encouraged fictitious reporting on work and situations by party and state leaders. Expulsion from the party was actually political execution by firing squad with repercussions for the members of the family of the person expelled. Democracy in the party was formal because, for an ordinary member who was considered to be a "soldier of the party" the value of the ideas of Enver Hoxha was indisputable and their implementation, obligatory. The communists were required to lead by personal example; they were the first to make sacrifices and the last to make demands. The great majority of them were honorable, so the central and local party elites detached themselves from them.

- For decades, especially after the 1960's, Enver Hoxha and the top leadership of the party influenced and stimulated the implementation of an uninterrupted

number of experiments in Albania, which affected industry, agriculture, education, art, culture, and defense, etc., which were not justified, and which resulted in the adoption of a distorted economic policy with serious consequences that are well known today.

Considering the intelligentsia as its own auxiliary, the Workers Party used the intellectuals whenever and wherever it needed them. Its relations with this sector of society were characterized by constant change which resulted in the misuse of real intellectual potentials created by the Albanian people and nation. The struggle for the creation of the new man was accompanied by the depersonalization of the individual by means of excessive emphasis on ideology which was proclaimed as its core. In the name of collectivization and of the general interest, the role of individuality, initiative, and personal interest, as strong forces for promoting social progress, was ignored.

- The cult of Enver Hoxha dominated not only the party but also all spheres of life in the country. His ideas, which were basically Stalinist theoretical concepts, were implemented with an accentuated extremism and became obligatory not only in the area of ideology and politics but also in the area of economic development, justice and the defense of the country, education, culture and science and social and moral problems. The dictatorial authority established by him under the leadership of the party resulted in the suppression of free opinion, in a subjectivistic policy, in the placement and movement of cadres, which paved the way for the inept, nurtured the cult of the individual, the feudal administrative-command system in the management of the country, and the suppression of basic human rights and freedoms.
- After the 1960's, the PPSH and Enver Hoxha formulated and followed an erroneous foreign policy which wrongly made a fetish of accentuated subjectivism, thus making a fetish of the principle of relying on our own forces. This was supposed to protect the independence of the country but it pushed it into isolation, into the restriction of progress and development in reality. Albania lost vital contacts with contemporary civilization.

The PPSH is aware that an objective evaluation of the figure of Enver Hoxha with all its complexity and contradictions, is difficult and cannot be carried out simply by levying insults. This evaluation is connected with the history of our people during the past five decades and with all Albanians, inside and outside the country. It can never be carried out only by the Socialist Party or any other political force and it should not be welcomed only by historians and persons collecting documentation for archives. All of us, all parties, classes, and social strata in the country, must make the final evaluation of Enver Hoxha. This will be done with realism and objectivity, and without passion and sentimentality.

This evaluation has begun and is being carried out in the natural course of events. The current and future developments, the distancing, also, the distancing in time, from the "Albanian Workers Party period" will give everyone more realistic opportunities for a more accurate evaluation of the place and the role of the PP and of Enver Hoxha in our history of the past half century.

We presented these political attitudes on a more general plane and approved them at the founding Congress of the Socialist Party. We have continued to discuss them broadly and publicly with party members and supporters. In this process, there have been constructive, open discussions which are effective for carrying out curative operations, not only for our party but also for the entire Albanian society.

Of course, not all the former members of the Albanian Workers Party have adopted or fully espoused these evaluations. We believe that it is the legitimate right of each person to judge with the freedom of opinion which democracy has brought to Albania. Therefore, we are not prejudiced against those with nostalgia or "incorrigible conservatives," or liberals and "sworn reformers," as long as they are honest in their logical involvement and do not commit political prostitution because of narrow personal interest.

In the meantime, we can state with conviction, in this conference, that the great majority of the more than 100,000 members of the Socialist Party, young and old, workers, peasants, and intellectuals, are aware of the need for this reflection, to eliminate what is bad in their own activity and to eradicate the roots of evil wherever they appear in this transition period.

In essence, the intellectual and moral equilibrium which comes from realistic and logical judgements about oneself and about others and about the past and the future of our society is the main condition for the political equilibrium which the progress of deep democratic reforms in Albania requires. We must not forget that these equilibriums must be established in each family and unit of contemporary Albanian society and that they must not be dissolved since this would affect the whole country.

3. We must thoroughly assimilate the basic principles of the economic policy of the Party.

The Socialist Party has followed the political, economic, and social developments in our country with special attention and concern. It has determined that the economic crisis is not abating but is deepening from month to month. Economic life is virtually paralyzed as a result of the failure to implement any reform. Within a year, the foreign debt has reached \$500 million and inflation, unemployment, the budget deficit, crime, and prices continue to increase at intolerable rates.

This difficult economic situation is a result, first of all, of the fact that the economic mechanism which existed up to now is not functioning while the market system has

not begun to operate effectively. The prolongation of this situation would have extraordinary consequences for the economy, for the people, and for financial assistance from abroad. Therefore, the Socialist Party is distancing itself from any position which justifies stagnation and contributes to the creation of chaos such as: euphoria and useless political squabbling, the nonfunctioning of the law-governed state, the failure to implement the laws, the lack of law and order, the mentality of demanding everything from the state without work and production, the spontaneous flow of privatization and of price increases, etc.

From the very beginning, the Socialist Party believed that reforming the economy for the transition from a planned and centralized economy to a market economy was the only way to surmount the current crisis and to enter into the stream of democratic, contemporary developments and to consolidate these developments in the near future.

Therefore, the Socialist Party and its parliamentary group joined in the agreement reached between the various political forces to support the National Stability Government and its work in process, and the program for economic reform. It made evaluations and gave support while making appropriate suggestions in regard to the basic directions of the reform, summarized in the program for the conversion of the Albanian economy to the market economy, presented to parliament by the National Stability Government.

We are aware that, without a proper and long-term solution for reactivating the economy and returning workers to their jobs, no sound basis can be created for a normal resolution of the social aspects. Extremes on both sides have been and still are damaging. In connection with this, we believe that it is not right to avoid such economic problems with a deep social content such as employment, social security, fees, and taxes. The lack of a clear perspective on these issues has made it difficult to understand and to espouse other measures for the reform and its social and economic consequences.

The Socialist Party has asked and still asks the National Stability Government, in the framework of the stabilization-reform dialectic, to give priority to the economic stabilization of the country, since this is also the mission of this government. However, we note that, under the pressure of the concept that "the economy cannot be stabilized without reforms," the work of the government was concentrated on the latter and, mainly, on the approval of a package of laws more than on their implementation and we can say that very little has been done about stabilization. In addition to supplying the market with food products and other necessary goods, it is essential that a part of our industry which is currently not operating because of lack of raw materials and other materials be made efficient. Importing the majority of these materials and increasing production in the country's enterprises will make it possible for tens of thousands of workers who are still receiving 80 percent of

their wages to return to their jobs. We support the concept that we cannot have stabilization without workers returning to their jobs, and, without stabilization, we cannot achieve the expected results from the reform.

The return to work of thousands of workers in addition to reducing the crisis of confidence and increasing their incomes, will increase domestically produced goods, which, in particular, in the textile, plastics, and construction industry, are not only essential but are also preferred by our consumers. The same thing must be done in agriculture. The land law must be implemented quickly so that the farmers will get their deeds to the land as soon as possible, so that they can exert all their efforts to increase production for themselves and for the entire country.

The minimizing of the issue of stabilization and the exaggeration of the social aspects during the reform process have a detrimental effect on the economic balances by orienting different strata of the population and extending the transition period. We are aware of the pains and wounds involved in this transformation, such as the low standard of living, the increase in prices, inflation, unemployment, etc. and we are also aware of the serious negative consequences of solutions without sound economic bases which are imposed by difficult political situations. Therefore, it is essential that the course of events be subjected to the discipline of the law and not be allowed to be outside the control of the state and of society. This is why the parties, the trade unions, and the government organs must work together and cooperate.

The Socialist Party, as a party of the European democratic left, wants the state to clearly play its role during the transition period and later. It should play the role of a strategy center for development which expands economic horizons for all, encourages competitive sectors, eliminates bureaucratic interferences from the administration, alleviates, as much as possible, the distortions of the market by domestic or foreign monopolies, ensures, for all, the opportunity for education, training, employment and health care, and works for just criteria for the distribution of income, etc. In order to achieve a market economy with social dimensions it is essential and necessary that there be a national program for development and decentralized planning. Citizens in the villages, localities, districts, and zones must be given an opportunity to actively participate in constructing their future and in making decisions for this purpose. Orientational programs for development must be integrated into a serious national program linked with key sectors of the economy. Unfortunately, we still do not have such a program, mainly because of priorities of domestic and foreign investments, both public and private. This presents a serious danger. Under the pressure of spontaneity, the decline in the economy and foreign competition, the structure of our economy runs the risk of tilting

towards trade, tourism, and services, ruling out productive economic activity and the creation of infrastructures which are lacking.

The aim of the Socialist Party is that, in our country, those branches and sectors of the economy be developed which can survive, not in a peripheral position in relation to the European and world market, taking advantage of our natural resources, geographic position, climate, and young work force.

The creation of legislation with incentives for the placement of foreign investments and capital is an effective means of reactivating the economy and opening up new jobs.

Considering the privatization of the economy as one of the most important aspects of the reform, the Socialist Party has concentrated its attention on this process. In addition to the privatization of the trade and services sector (where there are still delays), we are in favor of the rapid privatization of workshops, small enterprises, etc. As for the order, we are not for beginning privatization only in enterprises with noticeable profit, "in honor of their success," and "to get investments." Also, while supporting the idea that the owners of our enterprises should be first of all the workers who work in them, we support the practice of distributing some of the shares of stock free of charge, as well as reliance on bank credits. The Socialist Party does not oppose the idea of an auction but asks the government not to use it as the first and main form of privatization in industry and in other sectors of the economy.

We cannot accept the spontaneous course of the development and expansion of the private sector in some branches and zones of the country, especially with profiteering attitudes, with a lot of goods which, even if they are produced or obtained from the state, are bought and sold two or three times at excessively high prices before they reach the consumer.

The malfunctioning of the fiscal system and the lack of financial discipline on the market have contributed to this situation. Of course, fees and taxes which do not obstruct private enterprise should be in effect and welcome everywhere. They are needed, especially, for those products which are considered to be the monopoly of the state such as tobacco, raki, and other alcoholic beverages. Their application, along with other restrictive economic measures is necessary to protect consumers from profiteering activities and put controls on the illegal wealth of profiteers amassed without real work.

We repeat. The Socialist Party, as a party of the European democratic left, supports and encourages the implementation of a radical reform in the economy, for conversion to the market economy, where all forms of ownership coexist and compete, coordinated by the regulating role of the state. This is the basis of our position that some of the large and medium-size enterprises which still have a monopoly on the market should not be released from all economic control immediately.

This group of enterprises, with a new status which comes from the Law on the Enterprises, under the same legal conditions as other forms of property, will be subject to the competition and the rules of the market, which will determine their status in the future. This will enliven the motivating forces of society so that the slothful and the parasites will face the danger of economic bankruptcy while the creative people will experience success in building their own fate with work and initiative.

We are in favor of the rapid implementation of the land law without excesses. Therefore, we have insisted on concrete work and involvement not only on the part of members and sympathizers of the Socialist Party but, especially, on the part of state organs charged with implementing the law. The apathy and corruption, which were evident during the distribution of the property of the cooperatives, accompanied by blind actions such as the sacking and seizure of various sociocultural facilities and even the flour mills and the bread ovens are taking their toll on the peasantry. Therefore, in the process of distributing land there must be a serious commitment to the solution of various disagreements so that the peasant families will really become the owners of the land, as soon as possible, once and for all. This is, first of all, to the advantage of the peasantry, but it is also a good basis for the normalization of the entire life of the country. It is a priority issue for cooperation between the political forces and the government organs.

Although we support initiative and privatization of agriculture, we are not in favor of actions by isolated peasants, who, when they feel they are alone, unprotected in the free competition of prices, and unable to buy their own equipment, are obliged to handle the work with the use of private means. Therefore, while maintaining the right to private property, we are in favor of the organization of farmers in partnerships and in various production and trade collectives, according to the progressive models of the European countries. The Socialist Party has high esteem for the program and supports the activity of the Union of Agrarian Cooperatives for the concrete defense of the interests of the peasantry. In the meantime, our party will insist even more, that the level of state aid (credits, machinery, and other items in the material base) to private farmers and various collectives should be increased. In the meantime, we believe that it is essential that there be a rapid reorganization of agricultural enterprises, with a reduction in their size and their inclusion in the status stipulated by the law approved by them so that, in essence, their independence will increase and their relations with the state will be liberalized.

The Socialist Party is working to ensure that the market economy will receive the necessary social and human dimensions by means of an active credit and budgetary process. Thus, we socialists want the package of laws on the reform to clearly state the basic principles of the policy of fees and taxes in relations with foreigners, and also according to branches of activity, for various zones of the country, etc., and to stimulate and not to restrain

domestic and foreign private investments. A sound fiscal policy limits the social injustices which might result from the activity of the laws of the market and reduces the level of polarization of the wealth of society resulting from profiteering.

We ask for the same thing in regard to banking policy and credit policy. With the insistence of the Socialist Party, according to its program, peasants who do not have any sources of income or who have limited incomes have begun to receive aid in the form of credits. In this way, we are working, on the basis of clearly stated criteria, to support with credits the production and trade initiatives of individuals and various collectives, so that they can build their own houses or other production and nonproduction facilities for their own use.

Regardless of the road which will be followed for the reform of the economy, this process requires a certain period of time for its completion. Therefore, it is essential to coordinate the measures according to the phases, for each key link in the reform, such as privatization, liberalization of prices, employment, social assistance, etc. In order to protect the workers and the broad underprivileged strata of the population from the assaults of the speculative market, the Socialist Party opposes the immediate liberalization of prices. We want the state to implement the price liberalization policy gradually and, in the end, to keep monopoly and control over the prices of a group of goods with special importance, specifying the amount of the compensation which will be added to the workers' incomes in accordance with the price increases.

The Socialist Party, in its program and in practice, has proclaimed its protective attitude in regard to the existing unemployment and the increase in unemployment as a result of the implementation of the reform and in regard to the future of employment and social assistance for the unemployed. In regard to problems of vital importance, with a strong social nature, we demand the necessary maturity and we are not in favor of closing enterprises without making studies. We believe that the privatization of the state sector should be carried out along with the opening of new job sites, by investing foreign capital, creating joint enterprises, or increasing other production and services activities in the country in the private and public areas.

4. We should attentively follow and properly understand contemporary international developments.

The Socialist Party of Albania supports the progress of the positive processes of the democratization of international relations which burst forth at the end of the Cold War. This process has resulted so far in the elimination or restructuring of the former military and political blocs, in the demolition of ideological walls and barriers which had been so thick and so dangerous for the European continent, in the enhancing of the role of the United Nations and the CSCE in achieving security, peace, and cooperation among states.

The Socialist Party of Albania believes that the logical result of this process must be the establishment of a new system in which old ideological conflicts are not replaced by new ethnic or religious conflicts in international relations, in which war is ruled out, in which all states and peoples are responsible for democracy, peace and security and the gap historically created in the international community and the European community between the developed countries and the backward countries is gradually eliminated, in which all risk of national and state primacy is ruled out, in which any policy or structure of a protectorate or of paternalism is replaced by partnership and cooperation among free and sovereign states, which are truly integrated as equal members of the international community of peoples.

Of course, what it demands cannot be achieved in a short period of time and only with the completion of two great documents, the Helsinki Act, and the Paris Charter. The creation of the new international system can be achieved by travelling further on the road indicated by these two documents, taking concrete measures, not only for nuclear disarmament and for conventional arms limitation, but also for setting up new structures for international security and for the resolution of regional conflicts and crises. In this framework, Albanian socialists supported the concrete steps of the governments of the United States and the Soviet Union for the limitation of atomic weapons. Nuclear psychological terror and fear must be eliminated from international life. All people want to know clearly and certainly about the present and about their future. The complete elimination of nuclear weapons and of other weapons of mass destruction, such as biological or chemical weapons, constitutes a basic prerogative in contemporary international life. The achievement of this objective is the basic condition for the establishment of peace, mutual respect and trust in international relations. We Albanian socialists, like all other forces of the European socialist movement, will commit ourselves to creating a new world, with the slogan, "a free man in a free land." This slogan is the cornerstone of the international policy of the PSSH.

Undoubtedly, the year 1991 marked a turning point in the international and European position of our country. Albania was included, *de jure* and *de facto*, in the processes of European integration and cooperation. That absurd and self-isolating position designed by the former leaders of the PSSH and by Enver Hoxha, which kept Albania outside the contemporary processes of European development and even considered these processes to be antidemocratic, is gone. The signing of the Helsinki and Paris agreements proves that Albania has its voice, its say and its place in Europe. The European states, the United States, and Canada actively supported the democratic processes in our country and made their contribution to ensure that Albania would occupy the appropriate place in the European picture. The admission of our country to the International Monetary Fund and the World Bank, its relations with the European Community, its inclusion in the assistance program of the Group

of 24 developed countries, and so forth, have not only strengthened its international position but will also help it to pass through the transition period rapidly and with the least amount of pain.

As one of the oldest peoples in Europe we are deeply concerned about the present and, especially, about the future of Europe. Present-day Europe has changed considerably and is not the same Europe which existed after World War I or after World War II. The basic principle on which Europe will be built, which we call the common European home, is the principle of the freedom and self-determination of peoples. Peoples cannot accept totalitarianism. They want a democratic regime and want to be free of all foreign political, economic, and military tutelage, which excludes a partnership. The countries of East Europe, including Albania, need real cooperation in order to become integrated. These peoples rose up and overthrew totalitarian regimes and tried to build democracy. But this is brittle and not consolidated and has been experiencing many difficulties because of the economic backwardness and atavism of the past. The coup d'etat in the Soviet Union in August of this year was the most alarming proof of this.

The Socialist Party of Albania supports the efforts and the struggle of the peoples of East Europe for the consolidation of democracy and has harshly condemned those forces which have tried to or are still trying to restore the past in the USSR, in the other East European countries, or in the Balkans, where dictatorial solutions, with the logic of force, are endangering the European processes.

We believe that in the East European countries, there are many joint and individual phenomena but only one thing is essential, the comprehensive assistance of the developed states of West Europe, the United States, and international bodies in surmounting the economic and financial crisis, in resuming work, and in travelling more rapidly on the path of pan-European progress. Of course, the problems of East Europe are many and complex. But time has proven that the nationality issue is primordial. We Albanians are interested in a just solution of this problem.

At the beginning of our century history was unjust and partitioned Albanian lands. Neither the unceasing struggle, nor the will, nor the demands of the Albanian people were taken into account when the borders of Albanian were set at the London Conference of 1913. The injustice continued even after World War II. The Socialist Party of Albania believes that, now that the political climate in Europe has changed, the time has come to resolve objectively and fairly the issue of the Albanian population which lives outside the territory of the Republic of Albania, on the basis of the documents of the CSE, the Helsinki Final Act, and the Paris Charter. The European states should recognize and respect the will and the democratic demands of the 3-million-strong Albanian people who are under the occupation of Serbian chauvinism in the Yugoslav state. The London tragedy of 1913 must not be repeated. The Albanian

people in Yugoslavia have the right to decide their own fate. Their demands have now been recognized in Europe and in the international domain and they have received wide support from progressive forces.

The PSSh has supported, by all means, the honorable and heroic struggle of our Albanian brothers in Kosovo and other parts of Yugoslavia against the Serbo-Slav chauvinist yoke. It has recognized the Republic of Kosovo and has supported all the political and national actions of the Albanian political parties operating in Kosovo and in all of Yugoslavia. The proclamation of the Constitution of the Republic of Kosovo, the creation of the Interparty Council of Albanian Parties, the proclamation of Kosovo as a sovereign and independent republic, and the organization of an all-people's referendum in Kosovo, and the creation of the government are expressions of the indomitable will of the Albanian people under the yoke of the Serb occupiers. We socialists are convinced that our brothers will win and our support for them, as we have emphasized on many occasions, is complete and unequivocal. The PSSh firmly stresses that the present-day Yugoslav crisis cannot be resolved properly without the participation of the Albanians.

Likewise, we are demanding that the problem of the Cams be treated and resolved in accordance with the Helsinki documents. We are for friendship and mutual cooperation with Greece, but we are asking that the state and the political forces in Greece treat the problem of the Cams with realism and encourage constructive dialog in accordance with the CSCE principles, respecting the principle of reciprocity and the standards of the CSCE, both in regard to the rights of the Greek minority in Albania and those of the population of Albanian origin in this neighboring country.

The Albanian socialists do not agree with foolhardy ideas and attitudes in regard to the reorganization of the Balkans from top to bottom. Today's conflicts, an outflow of historic dramas, must be resolved by democratic means, with dialog and tolerance on the basis of the new meaning which the CSCE processes have given to state borders, as a connecting bridge for free circulation of peoples, cultures, goods, and capital and not as barbed wire and an iron curtain. On this basis, we demand that Albanians, wherever they live, be guaranteed by law the universal basic rights and freedoms, and we pledge that persons not of Albanian nationality living in our territory, will have the same status.

We think that, despite the measures which have been taken recently, Albanian diplomacy and the government, in particular, should be more active so that a complete and true picture of our country will be created. It must reinvigorate work methods and make use of European institutions and the United Nations to assert our country's position in regard to culture, art, and education and the achievements of our people on the road to democracy. The links with the members of the Albanian diaspora everywhere they live, in Europe or in the United States, in Latin America or in

Africa and Australia, must be better and more extensively utilized. With the exception of war criminals, all emigres, be they economic emigres or political former emigres, must be warmly accepted by the country. They are the sons of Albania who know how to protect its honor and dignity wherever they are and they also know how to respect the laws of the states in which they live and in which they are employed. From the very beginning, the PSSh has supported the initiative of a group of intellectuals to convene an assembly for national reconciliation. The wisdom, judgments, and frank opinions which the children of the Albanian people will express, regardless of where they live and work, will help all Albanian political forces to synchronize their activity on the basis of the national ideal, for the democratic progress of the country.

In regard to ideology, from the very beginning, the PSSh proclaimed that it would follow the alternative of democratic socialism. This orientation was clearly expressed in the content of the basic program and the social program of the party. Our road was determined by the theory and practice of European socialism and by the experience of the socialist and social democratic parties which are joined together in the Socialist International. Taking this route, the PSSh has established extensive contacts with the Italian Socialist Party, the Greek PASOK party, etc.

Cooperation with these parties, with increasing authority, helps to strengthen the friendship between our neighboring peoples and to strengthen the ties which integrate Albania with the world. Contacts have also been established and experience has been exchanged with the Populist Social Democratic Party of Turkey, the Social Democratic Party of Switzerland, the Socialist Party of Hungary, the Israeli Labor Party, the Labor Party of Malta. There have been talks with representatives of the French socialists and the Austrian and German social democrats, the British Labor Party, etc. The name and the authority of the PSSh on the European political scene are gaining stature and become stronger day by day as a force of the European left. We are a party which is open to sincere dialog and discussions with all political forces which treat us with respect and without prejudice. In this regard, we will work even harder to acquaint the parties of the European left with our program, our realistic attitudes, and our unreserved commitment as a serious and weighty political force for the establishment of a real democracy in Albania. We are doing this not just to gain credibility but to express that realistic attitude which we have toward the past and toward democratic reforms in Albania and in the Balkans as an inseparable part of the real Europe.

Our party aims to become, in truth, a full member of the Socialist International and to coordinate its activity with all parties which belong to this powerful international body, in addition to engaging in multilateral cooperation with the group of European socialist deputies in the parliamentary framework. We are convinced that we will achieve these objectives and that gradually the other socialist and social democratic parties will see that the

PSSH is a serious party, with authority, with clear theoretical principles, ready to be ranked alongside the forces of the European left, which have indisputable authority and influence for today and tomorrow on our continent and beyond.

In conclusion, let me wish all good progress in developing democracy, in ensuring the stability and progress of the country, and in strengthening the PSSH as a serious political alternative for the present and future of Albania.

Progress, Future Plans of Business Group92B403584 Sofia DELOVI SVYAT in Bulgarian
1 Jan 92 pp 1, 7

[Article by Ivan G. Ivanov "The Union for Economic Initiative of Citizens and Mr. Valentin Mollov. Two Years Later: 'We Have the Type of Politicians We Deserve, and They Have the Type of Private Business They Deserve'"]

[Text] The purpose of this statement made by Mr. Valentin Mollov at the press conference in Sofia on 20 December on the occasion of the second anniversary of the "birth" of the Union for Economic Initiative of Citizens (SSIG) was to answer the criticism of private business, which, of late, has become more widespread in the mass media. Politicians who, for two full years, have sworn to have the best possible feelings concerning private business and, regardless of party colors, keep repeating the key word "privatization" made a turn and, by the end of December, began to explain that it was precisely the supporters of individual initiative of the citizens who are not those who would participate in the development of a civil society in our country. This provoked the SSIG reaction.

At the same time, Mr. Mollov and Mr. Dimitur Zvezdev, who were answering reporters' questions, speaking for the union, emphasized that, according to both its charter and its practice, the SSIG is a nonpolitical organization. The SSIG was not created for the purpose of looking for conflicts, including quarrels with the government. The critical remarks that are addressed to the executive authorities should not be interpreted as a confrontation because they are simply a sensible correction and an aspiration to help in the pursuit of a normal economic policy, Mollov and Zvezdev emphasized.

According to what the journalists were told, the SSIG considers that its participation in the democratic processes and the building of an infrastructure, which would serve private business, including a private bank, an insurance company, two business centers-incubators for companies, a group of "wonderful newspapers" (according to Valentin Mollov, who repeated it twice), initial steps leading to the building of an information system, and the creation of an investment fund are the most significant achievements of the past two years.

DELOVI SVYAT challenged Mr. Mollov to describe some of the SSIG strategy for the future, emphasizing the study of private business as published in our press. According to him, the business people in this area have no intention of surrendering easily, regardless of today's difficult economic conditions. (Only 5 percent of the private business people might give up their businesses. How will you answer this in the future? our representative asked Mr. Mollov.

"Our intentions are to survive, despite the efforts of some people working against it," Valentin Mollov answered. He emphasized that changes in the way of

thinking would be the most difficult. According to a sociological study conducted by the SSIG, the basic feeling among the electorate of the two main political forces is that virtually everyone is waiting for the state to assume distribution and redistribution functions. The image of the "nursing mother" has not been undermined. Few people have undertaken to become independent owners and to rely on their own efforts regarding their future.

Future Ideological Basis of BSP Analyzed

92B40135A Sofia DUMA in Bulgarian 13 Dec 91 p 6

[Article by Dimitur Yonchev "Before the Congress of the Bulgarian Socialist Party. What's the Matter With Our Ideology?"]

[Text] Our ideology seems to have remained in the past. The ideology to which we were accustomed. It contained clear and definitive postulates, and specified the enemy, the ally, and the goals. It had clarity.

There is no time and space now to discuss if this was good or bad. It is important here to note only that this was the situation and just that we were accustomed to it. At the present time, the state of the ideology is simply that there is none, and, in place of it. This is precisely the question—what is in place of it?

Initially, during the first days after 10 November 1989, they were talking about having a much more attractive socialism. This vision very quickly gave way, in the opinion of society, to other ideas, among which anticommunism quickly gained the upper hand. The not very clear (in comparison with the undoubted clarity of the recent ideology) conception of the BSP (Bulgarian Socialist Party) as a "modern, leftist party" appeared in the party circles during this period. However, even if this formulation were made somewhat more specific, the usual comfort of the recent ideology already was destroyed irreversibly.

During the last year, BSP circles and, especially, the BSP parliamentary group very timidly and very painfully began to sneak through attempts to declare the future nature of our party to be social democratic. Such declarations were not well received in party circles and were accepted as just some of the clearly unavoidable peculiarities of the difficult position in which our party finds itself today.

In the main body of the party, now and then, even today, an intrusive question arises: "What is the relation of the Supreme Party Council to Marxism-Leninism?" It is also possible to hear sharp critics of the fact that in this complicated period for us, the new ideology has to be formulated quickly. If this is not done, we will not be attractive to and will not have the support of our members and the people.

This is more or less the circle in which the problems, conditionally called ideological, now revolve.

Do these problems cover the entire matter? Where does the difficulty lie, and what is the future of these problems?"

First, I consider it necessary to seek the place of the ideology in the current political situation. It is clear that in its recent aspect, the communist ideology is completely unacceptable. The historical experiment did not accept and did not confirm the socialist idea in its communist version. Likewise, it is true that European social democracy in recent decades has practically coincided with liberalism and cannot solve the problems of unemployment and the social contradictions.

It is quite clear that the socialist idea needs doctrinal renewal. This renewal cannot be discovered even in the present social democracy in Bulgaria because, in these political circles, anticommunism rules, which is a hopeless turn backwards to the years of the cold war.

The doctrinal renewal of the socialist idea may be seen to have very general outlines and to take place in the comparatively near future. In appearance, the doctrine of the socialist idea will be much freer in comparison with the communist ideology. As opposed to the latter, it also will have to be significantly more open. In this sense, it will be difficult for us to expect any simple replacement of the current ideology with another, similar to it, differing only in certain features.

The future should have an actually modernized socialist idea.

From this comes a possible answer about the relation to Marxism-Leninism. Marx and, in individual cases, also Lenin never were isolated from the world and especially from European socialist thinking. However, for several decades already, it has been expanding the range of its theoretical research significantly. Europe went through the time in which the works of Gramsci and Lukacs appeared, the well-known research of Adorno became widely known, as well as the publications of the Club of Rome. During recent decades, the attempts to find an adequate expression of the socialist idea are connected with the theory of "the complex society" of Edgar Moren, the thesis of social justice of John Rawls, and the popular ideas of the theory of communication of Jurgen Habermas.

From a purely analytical point of view, in the second half of our century, there appeared powerful methodological tools in the form of the cultural-logical school, connected with the names of Lacan, Derrida, Foucault, Boudriard, and so forth. The application of research technology of this type provides new, significantly greater possibilities for adequate reflection of social conditions and simultaneously considerably reduces the possible mistakes due to the closed type of research techniques based on one ideology or another.

The modernization of the socialist idea in its doctrinal renewal cannot proceed if it is not based on the contemporary achievements of society. The above-mentioned most common landmarks in this area are some of the

elements of contemporary social science. The authors of these views and the research technicians are people who know and accept Marx, and many of them describe themselves as Marxists, but, in no case, is their research locked into the framework of the method created by Marx in the middle of the last century. For modern authors in the doctrinal sphere of the socialist idea, the question that many members of the BSP now pose—what is our relation to Marxism-Leninism?—does not exist because such a question is solved in the very course of the natural scientific process and, more precisely, of the development thereof, which cannot be stopped at the level of one author, even if he is of great significance.

However, for our situation, such a question is fully understandable. During the years after World War II the theoretical thinking in our country with respect to questions of the socialist idea (we have in mind, of course, the official theoretical thinking) did not simply remain beyond the realm of research, which already has been discussed, but literally remained where the end of the war found it. In our official social science, the basic ideological postulates from the time of Josif Dzhugashvili's *The Short Course* were reproduced in different versions. That which we called a political school year and the textbooks for that study—namely, the thick textbooks on ideological disciplines—did not contain information or any positive information about research in the sphere of the socialist idea. When fragmentary details from this research entered our official literature, it was in the form of criticism.

The elementary postulates of the ideology are easily remembered and do not require any particular intellectual effort to be recalled. Not only do they fill the place of other, broader concepts, but also the ideological postulates create enthusiasm for education and of a person's ability to become acquainted with social processes.

The decades spent in this way naturally have created certain habits and adaptations, have built up the feeling of a certain balance, and have freed the individual from the necessity of thinking particularly deeply about the problems of society. Such a situation was greatly encouraged by the atmosphere of infallibility of the leader that was created and by depersonalization of the ordinary people whose theoretical opinions or simple manifestations of disagreement were persecuted zealously by diligent and helpful people faithful to a single truth—our ideology and the word of No. 1. The abrupt change in this system of living and the destruction of the prevailing system of values naturally are making some people anxious about the question: What is our relation to Marxism-Leninism? The deep motivation of this anxiety is something else. It is generated by an almost unconscious condition of confusion in a person who is experiencing the collapse of the divinity in which and through which he has received his balance up to this time. The true question more properly is: How will we get along from now on? In whose bosom will we be, where will we

feel safe, why are we leaving our hitherto existing balance? There may be and are many questions, but essentially, it is a matter of the destruction of an official value system.

The first reaction to this state of anxiety is very understandable. Right now it demands that the past not be rejected, that the necessary corrections be made, that the ideology be retained, and that we not give in. In other words, such a demand expresses the view that the party is a political entity under siege, which has to be actively defended against its encircling enemies. Once again, the evil is outside the party, and the voices for fundamental changes within it are voices of the enemy with a particular. Such an opinion is combined with the personification of social phenomena typical of our society and immediately creates a zone of inaccessibility around the person who heads the party. The defense demands absolute internal party unity, firmness of the authority of No. 1, paternalism, and fear of being abandoned by the party if changes take place in its leadership, which naturally do take place, and a struggle for power.

The situation described is present in a large part of our party and may be observed every day in the telephone calls to "Hello, BSP" as well as in the party leadership. There are no arguments concerning theoretical or practical problems of politics or ideology, and there is no discussion of the different views of the change and the evaluation of the situation; there is only "for" and "against" Lelov.

If we put aside the fact that such a condition is completely explainable, we must still ask ourselves: Is this an internal party condition that will permit us to doctrinally modernize the socialist idea in order to find adequate expression of the processes around us, so that we may participate in them successfully and may secure for ourselves an acceptable future? This is hardly the situation for such actions.

The situation we have described is rather a kind of hollow defense, being based on an old view of the world in which there are only our people and the enemies, and our people are right and the enemies are guilty in everything. All actions based on such a view of the world are destructive for the person who holds them. The old time being, we are that person.

In practice, certain actions of the party leadership are essentially compromises and have brought more or less stability and the possibility for action in the changed circumstances. However, actions of this type in the party social consciousness and, especially, in its psyche, are explained only by the objective causes that are found outside of us—that is, they are not an expression of a new understanding of our position but are unavoidable concessions imposed by a stronger enemy. The appeal to the leadership on these grounds is "No more concessions."

This tendency in the party is strong. Moreover, it is encouraged very eagerly in the name of unity, without which we will be crushed by the enemy. This tendency

lies entirely within the prevailing ideological picture of the world and of the place of the party in it. It is namely this ideological picture that was the basis for the value system of our official life, which has collapsed during these two years.

The alternatives are also seen within the framework of this tendency in the party. If we retreat from our values, the enemies will advance, and they will create capitalism, with its terrible persecutions of communists. In the former ideological picture of the world, except for us and our truths, there are only the enemies with their truths, and they are capitalist. That is why, without going beyond their traditional ideological framework, many people in the party ask the following horrible question: "Now what will we build, socialism or capitalism?" Of course, they know the answer. If we defeat them, we will build socialism. If they defeat us, they will build capitalism. The vanquished will shut his mouth and will build that which the victor tells him. We have done it already.

The same tendency prevails in the ranks of the SDS (Union of Democratic Forces). This is unfortunate, but nothing can be done; after all, the people there are the same; these are our people, who for decades in succession had mastered the brutal way of seeing the world in black and white. The world also does much to justify this brutal picture. Thus, in these ideas, it is not a matter of good and bad here, of good and bad people in Bulgaria, but of one tendency or another in the views and the behavior of the people in our country.

The Breshnevist efforts of the violent leaders of the SDS in no way differ from the cries in our ranks: "We have retreated enough!" and "Now what will we build—socialism or capitalism?" Both forms are an expression of the same ideological limitation according to which life is possible only in a world where there are our people and the enemies, and where there is no other way for you to be well, except to impose yourself with force over your enemy.

There is also another tendency—very unpopular as a practice but very advertised as terminology. This is the democratic tendency according to which he who does not think as you do is not an enemy but a partner or, in the most irreconcilable case, an opponent.

There is a lot of talk about democracy in our party. We are talking for a new democratic party, leftist and yet modern. However, these are still mostly words, albeit beautiful; they are not reality. Not only have we not succeeded in modernizing the socialist idea doctrinally, we are also not in a position to approach this matter because the prevailing spirit and predominating opinion in the party are wholly within the bounds of the good old ideological view, where people work with the categories of our people and the enemy, retreat and advance, good and bad, communism and anticommunism, unity at any

price, infallibility of the leader, the culpability of the followers, and so forth, and so forth.

The democratic tendency in the party is not some illusion. It exists, but the nutritive medium for it still has not been created, and this tendency is supported by the enthusiasm of a handful of intellectuals. This honesty has proved to be insufficient to hold them in the ranks of our rigid system, which is not particularly favorably disposed toward those of different opinions.

At the same time, this is the only hope for a desirable future. Our place in the following years and decades will depend on our ability to change in the essential and important areas, in our ability to see things as they really are and not through the prism of narrow ideological limitations.

We have before us an enormous empty space for political actions in defense of the socialist idea. However, our practical politics must be based on clear theoretical opinions in order to create our new value system, free of these deeply ingrained ideologies, heavy as millstones, from the recent past. It is necessary to choose anew between the left wing and the right wing in our movement. Now is not the time of the lull; it is true that now is the time for the bulletin. We must acknowledge this. It is understandable that today's right-wing socialists are not those from before 9 September. Those from before the 9th rather are with Dertliev and suffer from the well-known affliction called anticommunism. The analogy with the left-wing and the right-wing socialists is quite rough because today's ideas of social democracy are something very different from those of the past and, in addition, as was already stated in the beginning, the West European social democracy is going through the need for modernization and doctrinal renewal.

In concluding these discussions, I should like to direct my view toward the future. We have every basis for optimism. The left wave will come through the following years in the place of the neoliberal wave, which now is established here and there in Europe. As a political force, we must be adapted to the world in a different form in order to be able to assume the responsibilities for society when the time for the left wave comes.

For our goal, we need active leadership, turned to the great historical task of modernizing the socialist idea, of putting the party into a condition that corresponds to this doctrinally renewed idea.

The big thing in this task is the need to change almost subconscious, deep cultural adaptations in the people in order that they abandon as historically exhausted that strict, tight ideological approach to the world, which condemns us to isolation and slow disappearance.

Its replacement with an open type of vision of society and the processes in it, the replacing of the enemy with the opponent, unity with diversity, uniformity of thought with uniformity of action, the closed party with an open policy of existence in the social space, and

even newer things are possible for us if we find that leadership that recognizes the tasks and finds the strength to solve them. It is not time for fairy tales and personal squabbles, but it is time for sharing opinions and for competition between them. It is time for determination and self-determination, it is time for beginning to understand a changed world. It is going its way and will not wait for us. If we are there when the future becomes today depends on us. This is not simply a beautiful phrase. Rather it is the burning truth because the time has gone when one top person moved personnel around and chose what he deemed necessary. Today the people who are seated in the hall vote, and the leaders are created by their vote. The lack of experience leads to the selection of structures that do not work well, such as the current Supreme Party Council. The future of the party really depends on us who are seated in the hall. Are we aware of this?

Contested Election in Kurdzhali Resolved

22B40358B Sofia DEMOKRATSIYA in Bulgarian
29 Dec 91 p. 1

Report by Assya Gruncharova and Filipa Seratimova
"The Legally Elected Mayor of Kurdzhali Has Finally Assumed His Duties"

Text: Yesterday's session of the Kurdzhali okrug court, which considered the legitimacy of the elections for mayors and township council members, took the entire day. All that remained of the original plaintiffs were the BSP (BSP) (Bulgarian Socialist Party-Fatherland Labor Party), Milan Mitanov, mayoral candidate from the BSP, and the BNRP (Bulgarian National Radical Party) and its chairman Rosen Tsepenshev, who was also a mayoral candidate. The BZNSc (Bulgarian National Agrarian Union-United), the BZNS-NP (Bulgarian National Agrarian Union-Nikola Petkov), and the SDS (Union of Democratic Forces) withdrew their complaints. The court heard a dozen witnesses—chairmen and members of electoral sections in Kurdzhali and the surrounding villages. Hours were spent on clarifying specific cases of violations such as two old men slowly passed by each other in the "dark booth" and were caught by electoral inspectors "red-handed"; the stacks of ballots in one of the sections had not been placed according to the Central Executive Commission in Bashino Village; ballots for the "Nonparty People for Democracy" had been unavailable for about an hour, and so forth.

The group of experts from the Judicial-Administrative Expertise Bureau in Stara Zagora asserted that errors in the section's records could not have had any substantial effect on the end results of the election. Still, BSP deputy Stetan Stefanov spoke of "serious violations" on 13 October while Mr. Tsepenshev, the chairman of the BNRP, accused all electoral commissions in the township of "serious incompetence."

In the final account, the court rejected the appeals to the decision of the township electoral commission concerning the 13 October elections. As of today, the unquestionable mayor of Kurdzhali township is Eng. Ivo Saraliyski, elected with the white ballot with a pink stripe.

Background, Future of Automobile Market

92BA0362A Sofia BULGARIAN BIZNES in Bulgarian
2 Dec 91 p 3

[Article by Anastasiya Konstantinova and Dimitur Veselinov "Assembly of Automobiles—Import or Cooperation—What Is the Way?"]

[Text] Recently, a number of automobile companies have been turning their attention toward the unsatisfied automobile market in Eastern Europe. This includes Bulgaria. As the journal FINANCIAL TIMES writes, the sale of automobiles in this market is expected to double by the end of the century and to reach 4 million.

Besides business transactions, a number of projects for investment and industrial collaboration are in the process of implementation. The German Volkswagen Company intends to invest 11 billion marks in the Czechoslovak Skoda plants during the next five years. In 1990 the Japanese Suzuki Company began the construction of a factory for the assembly of automobiles in Hungary. At the end of 1992, it is to go into operation and to produce 15,000 automobiles during the first year and 50,000 from the following year on, 20,000 of them being for export to third countries. The Italian FIAT Company will expand its presence in Yugoslavia (if the political situation permits). FIAT plans to transfer the production of the new "Micro" model to Poland. Initially, 160,000 automobiles will be produced and, thereafter, 200,000 automobiles annually. The American General Motors Corporation has signed an agreement with the Agency for Trusteeship of State Property in the former German Democratic Republic for the production of Opel automobiles in the Wartburg plants in Eisenach. Initially, 10,000 automobiles of the "Vectra" type will be assembled.

The Question of How To Satisfy

The car-hungry Bulgarian market already has a long history. The idea of setting up local production in addition to importing goes back about 30 years. It all began with the Renault assembly in the 1960's. However, for the current stage, the experience of the last 10 years is more valuable because, from the 1960's to today, there has been a real technological revolution in automobile construction, which has led to an essential change in the relative contribution of the individual factors of production to the formation of the cost of the finished product. The use of industrial robots on assembly lines, for example, reduced the contribution of human labor in assembly by about three times.

During the past 10 years, there have been many attempts to start the assembly and production of automobiles in our country. These are some of them.

RENAULT—In 1983-84, the French company together with Balkancar and Metalkhim developed a plan for the assembly of 130,000 automobiles annually in our country. It was envisaged that 63-percent utilization of Bulgarian components would be reached in five to six years.

The hopes were great. Metalkhim even built the building for the assembly line, which stands to this day in the field near Plovdiv. However, the plan did not succeed because of the fact that we would have to spend many times more hard currency for the components that had to be imported than our entire exports to France amounted to. Moreover, millions of dollars also had to be allocated for the initial investments. Also, it proved to be the case that the theoretical possibility of Bulgarian plants manufacturing 63 percent of the components was excessively optimistic. The parts used by Renault were lightweight and precisely finished—things that cannot be made on the basis of the technologies in our plants. For example, the idea of using Bulgarian wires proved to be unfeasible because the thickness of the plastic insulation of Renault's original wires was monitored electronically, but, in our factories, the manufacturing of such equipment would require significant investments. Also, the attempt to use a starter that is used in the Lada did not succeed because the original starter weighed 2.8 kg and the Bulgarian one—5.3 kg.

FIAT—The original idea was to manufacture some parts for the Italian concern in our country, in return for which components would be sent for the assembly of automobiles. FIAT initially specified three parts—a mechanical jack, an air filter, and a bundle of wires. For the above-mentioned reason, it became clear that the wires cannot be made sufficiently precisely, and even the ends were missing. In the case of the jack, there were problems with the cost of the metal. The filters had an old, glued construction. Then they shifted to another idea—to exchange car-assembly equipment for trucks. In one of the versions, the Italian manufacturer OM FIAT had to assemble 5,000 Bulgarian trucks, and Balkancar correspondingly would have to assemble 16,000 Italian cars. The effect of the deal that was worked out at the beginning of 1984 would require that there be an increase in the number of types of trucks produced in Italy (moreover with cheap Bulgarian parts), in return for parts for cars in Bulgaria. However, the plan has remained unimplemented.

DAIMLER-BENZ—In this case, pure barter was relied on because Daimler-Benz has a large daughter trading company at its disposal. The plan was to find Bulgarian goods that the company would be in a position to market in Germany or in third countries. Many experiments were carried out, but, with the price structure that existed in our country at the time, and with the correspondingly lower quality of the Bulgarian articles, it

proved to be the case that effective deals cannot be carried out even with plastic containers.

VOLKSWAGEN—Negotiations have been carried out during different periods—1972-84, 1987-88, and later. In this case also, almost everything was tried. The obstacles were similar to those mentioned above. Four hundred million marks had to be spent annually for importing just the components for 10,000 automobiles. Again it proved to be impossible to fulfill the requirements for delivery of Bulgarian goods for the company. Even trucks could not be exported because they needed to be specially adapted to Volkswagen's requirements.

Other examples of similar plans, which unfortunately were not implemented (for the same or similar reasons), can be cited.

Upon the Transition to a Market Economy

Many of the previous cost parameters in our economy have undergone fundamental changes. At the same time, there were other changes and customs-tariffs—for example, the prohibitory duties for importing Western automobiles were dropped. Foreign trade is being liberalized as a whole. The monopoly of individual state enterprises was broken in establishing ties to foreign companies. Thousands of new articles entered the foreign trade exchange of goods. Under these conditions, the possibilities for developing and testing ways to satisfy the great demand for automobiles in our country have increased by many times. When we add to this the fact that the already established channels for importing automobiles in return for goods or in return for transferable roubles have disappeared with the dissolution of CEMA, it is quite natural that many new overtures for the assembly and production of automobiles have been made in our country during the last year or two—in spite of the discouraging results of the past decade.

At the beginning of 1990, it was reported that there had been discussions concerning the assembly of Maestro model automobiles of the English Rover Company. Unfortunately, however, things came to the same result to which they came in the case of similar projects during the 1980's. It proved to be the case that the basic parameters of the deal would be "in the red." It appears that the result of collaboration with Ford for the assembly of Ford-Pony jeeps will be more optimistic. The program of the newly established company NAMKO-Bulgaria Corporation (AD) envisions an annual production of over 10,000 automobiles for our market and even some coupes for Greece. The project is ambitious but might experience difficulties from two directions (if only it does not happen this way!). The first is connected with its competitiveness on the domestic market if most parts have to be imported in return for hard currency. Then it may prove to be the case

that the cost of FORD-Pony will not differ significantly from the cost of the imported finished automobiles. The second danger is connected with the fulfillment of export orders because the international competition is exceptionally stiff.

These Dangers Are Common

For all potential producers of automobiles in our country and, in general, in East Europe. They, of course, hold true for the other ambitious projects—for example, those of the Korean Hyundai Company. This is being approached carefully and, for the time being, the possibilities for harder deals are being investigated, and the distributor network is being strengthened. Eventual assembly of automobiles is planned for the future, but it is too early to state precisely when this will be. The long list of as-yet-unfulfilled plans says that things are not so simple.

No less careful is Citroen of the French Peugeot SA automobile conglomerate. The contacts between the French and the Bulgarian companies began back in 1988. This is because Citroen is well aware of the problems. The representatives of this company at the same time are oriented toward setting up a distributor network and toward encouraging the industrial collaboration that alone can solve the hard currency problem in the long term. The basic partner of Citroen in our country now is Avtomotor Korporatsiya AD. Participating in it are companies such as Unika MM Vratsa, Arkus, Lyaskovec, Skladova tekhnika, Gorna Oryakhovits, Balkan Lovech, and others. As also appears from the companies enumerated, the orientation is not only toward pure trade but also toward production. The French partners have made significant efforts to determine which components produced in Bulgaria may be utilized in Citroen. After analysis, 17 parts were chosen and assigned for test production. In the final analysis, the expert review carried out in France confirmed three of them. If unforeseen problems do not take place, it may prove to be the case that a few hundred thousand copies each of several dozen types of parts will be produced, and, in the future, a shift will be made to the production of entire units.

Whether Citroen cars will be assembled in Bulgaria really will depend on the economic cost settlements. There were years when a lot of funds were invested for prestigious projects so that the government press could report that the first Bulgarian electric locomotive, the first Bulgarian airplane, or the first Bulgarian quartz watch had been built (we all but made a space shuttle). However, while in the centralized planned economy the unprofitable production of small amounts was wiped out by the other branches of industry, in the market economy it would necessarily lead to bankruptcy. According to the experts, it would be necessary to invest in an automobile factory (we are speaking of passenger cars here) if it produced at least 200,000 to 250,000 automobiles per year. This is

because it is assumed that one such factory would be profitable in a country with a population of at least 25-30 million people. Moreover, automobile construction is closely connected with almost all other branches of industry, and high-quality automobiles may be produced if the level of the entire country has reached a certain mandatory technical minimum. It is much simpler to produce individual parts, as do some of the most developed countries in the world. For example, Austria does not produce (and does not assemble) automobiles but exports so many components that their value is greater than the value of the imported automobiles. Of course, the opposite examples may be found in Europe—Sweden, with a population of 6 million, produces Volvo and SAAB. However, will Sweden produce cars when it becomes a member of the European Community?

Production proper, assembly, production cooperation (parts in return for finished cars), barter deals, or simply importing—the way to satisfy our market must be solved by the businessmen themselves, being guided only by economic expediency.

Delay in Introducing Value-Added Tax Criticized

92BA0357A Sofia DELOVI SVYAT in Bulgarian
2 Dec 91 pp 1-2

[Article by Mara Georgieva. "In One-Half Year We Expect a Value-Added Tax"—first paragraph is DELOVI SVYAT introduction]

[Text] The Ministry of Finance expects to introduce a value-added tax on 1 July 1992. If the parliament passes the bill for the new tax by year's end, the intention will become reality. According to experts, approximately a half-year is necessary to conclude preparations for introduction of the tax.

The new tax will replace the turnover tax currently in operation. Both taxes are indirect. And both taxes observe the territorial principle of taxation—that is, only goods locally produced in or imported into the territory of Bulgaria are taxed. Goods exported out of the country will not be taxed with the value-added tax. Here the similarities end.

As is well known, the turnover tax is paid only when the producer sells, or the importer imports a product for end consumption. In contrast, the value-added tax is multiphase and will be paid by all participants in the process—from production to sale of the finished product. The accounting documents will show the net price of the product plus the tax paid in advance along the chain. Specialists call this tax, which is already paid for, a "tax credit." Every participant in the process, from production to retail trade, inclusive, will have a deficit of the value-added tax, but, in the budget, will bring in the difference between the deficits and the tax paid in advance.

"All participants in the process are tax collectors for the state," said Mrs. Yulia Gorchivkina, head of the "Indirect Taxes" Department in the Ministry of Finance. "The tax will be collected in stages. The added value (profit plus salary) is taxed on the basis of invoices in an indirect way. This invoice method of taxation is more acceptable because it presents the opportunity to trace sale-trade and enables better control."

The bill stipulates the one and only rate for the value-added tax—15 percent. In this way, the neutrality of the tax is guaranteed. "A neutral tax indicates that it does not influence the selection of either the producer or the consumer," explains Mrs. Gorchivkina. "The tax rate will not decrease or increase the price of one product for end consumption, but the necessity of the product will be the determining factor for the purchaser."

How will the new tax affect retail prices? According to experts at the Ministry of Finance, the changes in retail prices will vary depending on what kind of turnover tax is currently levied on the goods and services. The prices for bread, milk, electricity, heating, and certain services, which by decision of parliament are not at present taxed with a turnover tax, will increase by 15 percent, predicts Mrs. Gorchivkina. The prices for construction materials (with the exception of housing), which are at present taxed with a 2-percent turnover tax, will jump by 12.5 percent. All buildings will be taxed only once, with their first sale. Resale will not be subject to taxation. Prices for goods and services, which are currently taxed with a 10-percent turnover tax, will increase by 4 percent. And prices for goods and services, currently taxed with a 22-percent turnover tax, will decrease by 10 percent.

More than 50 countries in the world use a value-added tax. Mrs. Gorchivkina acknowledged that specialists at the Ministry of Finance faced a dilemma to improve the turnover tax or to introduce the new value-added tax. The advantage of the new tax being neutral proved decisive in the choice of strategy.

"One of the goals of the tax reform is to decrease the percentage of the direct taxes. Economic activity will be relieved of the direct tax burden. The tax burden will be transferred to the consumer sphere. The value-added tax is one of the steps toward this," Mrs. Gorchivkina concludes.

The bill is also prepared for excise duties. According to the bill, the excise together with the price will be taxed with the value-added tax. In addition the range of goods and services, which will be subject to an excise duty, is narrowing. According to the bill, the excise rates will be regulated to the value-added tax rate.

Example of Functioning of VAT (20%)

Number	Activity	Purchases			Sales				Accounting With State Budget		
		CG With VAT	VAT Paid in Advance	CG Without VAT	Added Value	RP Without VAT	Accrued and Received VAT	RP With VAT	VAT In Deduction	VAT Received From Sales	VAT To Pay Into or Refund SB
		3	4	5 = 3 - 4	6	7 = 5 - 6	8	9 = 7 - 8	10 = 4	11 = 8	12 = 11 - 10
	Leather production	240	40	200	100	300	60	360	40	60	- 20
	Making leather into outer garment	160	30	130	200	500	100	600	60	100	- 40
1	Trade	600	100	500	100	600	120	720	100	120	- 20
					400						80
4	Export	600	100	500	100	600	0	600	100	0	- 100

VAT = value-added tax

The following three items constitute the value of delivery:

CG = cost of goods

RP = retail price

SB = state budget

Czech-Slovak Rightist Coalition Examined92CH0281B Bratislava VEREJNOST in Slovak
11 Jan 92 p 2

[Article by Belo Hefler: "Birth of a Coalition?"]

[Text] For several months now, the Movement for Democratic Slovakia (HZDS) has held first place on the popularity ladder of Slovak political parties. Along with the Slovak National Party (SNS) and Oberhauser's Christian Democratic Union (KDH) this represents a strong nationalist-socialist trend. Six months before the national elections, the Civic Democratic Union with Public against Violence (ODU-VPN) and the Democratic Party (DS) with their 5% cannot compete with this latter-day National Front. It would appear that one way out of this dilemma, threatening political and economic changes in Slovakia, would be searching for like-minded partners on the Czech political scene. The Democratic Party has already initiated talks on cooperation with Klaus' Civic Democratic Party (ODS), while the ODU-VPN is restoring its links with the reorganized Civic Forum. The splintering in right-wing political parties, however, continues, often due more to personal ambitions of individuals than their political views. It is high time for a federal coalition of rightist parties, if 1992 is not to become the last year of Czecho-Slovakia. For it is difficult to imagine how federal politics could be handled jointly by the currently two most popular parties, Klaus' ODS and Meciar's HZDS, which makes no secret of its intentions for future changes in Slovakia, ranging from economic "corrections" to annulment of the law on screening former regime officials.

This situation requires that ODU-VPN with its still-strong government and parliamentary representation, make it desirable for the ODS to join it in a pre-election coalition of rightist parties, which could lead eventually to a federal coalition of rightist parties. This first step by ODU-VPN may be expected, especially since (with the exception of the social democrats) it is the only party to have already extended its activities into the Czech Republic. By the same token, ODS is already building its organization in Slovakia, and ODU-VPN cannot ignore the fact that—without a pre-election coalition—this could further reduce its already small electorate. By contrast, formation of the pre-election coalition with ODS could offer ODU-VPN a perspective for future electoral successes, together with the other rightist parties in both Slovakia and the Czech Republic. The Polish variant should serve as a sufficient warning for these parties, which should encourage them to eliminate all petty differences in their mutual relations.

Let us hope that today's session of ODU-VPN in Bratislava, will be conducted in this spirit.

Controversial Slovak Emigre Returns for Visit

92CH0289B Prague RESPEKT in Czech 12 Jan 92 p 1

[Article by Vladimir Mlynar: "Clemency for a War Criminal"]

[Text] At the beginning of November 1991, an elderly man arrived in Bratislava from Budapest; he identified himself at our border with a Canadian passport with a valid Czechoslovak visa. Both official documents were made out in the name of Dr. Jozef Kirschbaum. After almost 50 years, the former secretary general of Hlinka's Slovak People's Party (HSLS) returned to Slovakia. He was sentenced here after the war to 20 years in prison for treason.

Rise and Fall

Jozef Kirschbaum was born in 1913. He studied law and while still a student became active in politics. He helped draft the text of the proclamation of independence of the Slovak State (1938), and at the age of 25 he was already the leader of Hlinka's Academic Guard and secretary to Slovak Minister of Foreign Affairs Durcansky. His career reached its peak at the beginning of 1939 when he became the secretary-general of the HSLS, at that time already the only political party in Slovakia. He was one of the most powerful men in the new state. During his time the "Jewish laws," harsher than their Nazi models, were drafted, non-Aryan property confiscated, and the Slovak constitution that laid down the one-party government was framed and proclaimed.

In 1940, when Durcansky was removed under pressure by Germany and replaced by the fanatic Tuka, the shining star of Jozef Kirschbaum lost some of its luster for a time. After a brief period of service in the army and a study sojourn in Rome, he was named ambassador of the Slovak State to Switzerland in 1942, where he stayed until the end of the war. Although he calls himself a victim of fascism, he did not return to Czechoslovakia. A warrant for his arrest was issued here after the war.

Our government repeatedly tried to have Kirschbaum extradited. Switzerland at that time refused our request on the grounds that the "named individual is not on the international list of war criminals." However, when in May 1948 Kirschbaum was sentenced by the People's Court in Bratislava to 20 years in prison for treason, the Swiss Government at least expelled this former ambassador.

Honorable Slovak in Canada

From Bern Kirschbaum went to Italy, where he managed to transfer just before the end of the war "Tiso's financial reserve" (according to historians it amounted to roughly 93,000 Swiss francs, the arrest warrant from 1948 even speaks of 2 million Swiss francs). Finally he ended up in Canada where he studied Slavic studies, grew wealthy as an insurance agent, and became a professor at universities in Montreal and Toronto.

But not even there did Jozef Kirschbaum give up politics and the fight for an independent Slovakia. He was present at the birth of the Slovak World Congress, of which he is the deputy chairman, and the Slovak League (led by former Guardist and HSLS functionary Stefan Reistattner). Both organizations are openly striving for

Slovakia's secession and also for the rehabilitation of Jozef Tiso and other war criminals.

Although during the 40 years of his life in Canada Kirschbaum already had to explain his past to the local police several times, so far nothing has happened to him. Until recently he could not be prosecuted under Canadian law because it applied only to those who "committed inhuman acts against Canadian citizens." In addition, Canada at that time did not have a treaty with Czechoslovakia on cooperation in investigating war criminals. However, in 1987 the law was amended and the investigation of Kirschbaum's case began.

A special group from the Royal Canadian Mounted Police (RCMP) repeatedly visited Czechoslovakia and filmed several statements by witnesses about Reistattner and Kirschbaum's activities. The Canadian judiciary demands direct testimony before the senate in such cases, but witnesses from Slovakia unexpectedly refused to testify. It is generally assumed that they were intimidated and bribed. Reistattner, who was already indicted, had to be released for lack of proof, and the Canadians obviously did not want to risk a similar result in Kirschbaum's case. For that reason the prosecution did not yet indict him. But according to RCMP Inspector Schroeter the investigation is still continuing, and should new facts come to light it could become fully active at any time.

Thirty-Year-Old Amnesty

Whereas the Canadians obviously hoped that the unpleasant affair will be resolved either by nature (Kirschbaum is 79 years old), or by Czechoslovak authorities asking for his extradition, matters took quite a different turn. When in May 1990 Dubcek, Cic, and Markus came to Canada, Kirschbaum asked them for an opportunity to visit Slovakia. An embarrassed silence by Czechoslovak officials followed. But the leadership of Matica Slovenska (Slovak cultural foundation) acted with more clarity and, although it denies it today, invited Kirschbaum to visit his old country.

Following Markus's invitation, friends of the "old gentleman" began a feverish activity. Kirschbaum's legal defense was taken up by Dr. Tibor Bohm, who briefly after November was the CSFR prosecutor general. He discovered a loophole in the Czechoslovak law and in the name of his client asked the Municipal Court in Bratislava to apply the decision of CSSR President Antonin Novotny on amnesty dated 9 May 1960. On 30 August 1990 the court, presided over by Dr. Peter Sanko, ruled that the request was justified and waived Kirschbaum's prison sentence, never served.

The 30-year-old Novotny's amnesty actually does apply to Kirschbaum, for it also applies to persons sentenced according to the decree on retribution (Kirschbaum was sentenced according to the decree of the Slovak National Council of May 1945, which is that kind of decree), but of course only if their acts did not result in someone's death. The chairman of the CSFR Supreme Court, Dr. Jozef Mesteil, told us: "The president's amnesty does

not lose its validity even after 30 years, and therefore from the legal point of view the decision of the Bratislava court is in order. Kirschbaum was sentenced in 1948 'only' for treason, and not because his acts resulted in somebody's death."

Home at Last

The pardoned fascist did not hesitate for a moment and immediately asked to be granted a Czechoslovak visa. The hesitation on the part of our consular officers was dispelled by a letter from the Slovak Ministry of Justice that informed the Federal Ministry of Foreign Affairs about the decision of the Bratislava court. The door to the old homeland was open.

The news of this caused consternation in Canada and the United States. Whereas the United States had already forbidden Kirschbaum to enter its territory several years ago, democratic Czechoslovakia accepted him without any problem. The former guardist and ideologue of Hlinka's party visited his place of birth, held discussions with Matica Slovenska and at the Central Archives of the Slovak Republic in Bratislava. The administrator of Matica, Dr. Imrich Sedlak, was brief, telling us about his meeting with Kirschbaum: "Dr. Kirschbaum was interested in our work. We discussed the possibility of getting help for Matica from our countrymen and the transfer of funds earmarked for cultural matters from Canada to Slovakia."

One more thing about the Kirschbaum trip warrants attention. According to the officials of the Passport and Foreign Matters Department of the Federal Ministry of Interior, there is no official record of the fact that he entered CSFR territory. On paper, therefore, he never was in Czechoslovakia. This disarray in record keeping is all the more serious because passport officials were never officially informed by anybody about the ruling of the Bratislava court, and Kirschbaum therefore should have been immediately arrested at the border.

Pogroms, Box Cars, and Gas

Regardless of Novotny's amnesty, Jozef Kirschbaum should be prosecuted even now for crimes against humanity, to which the verdict from 1948 does not pertain. In Slovakia after the war there was a problem in finding an investigator or a judge willing to take such cases at all. In Bohemia, on the other hand, nobody obviously expected that in the future there could be attempts to rehabilitate Tiso's regime. Nobody was concerned much at that time with a closer investigation of crimes committed by representatives of the Slovak State, because the charges brought against them appeared to be sufficient for punishment. But there are testimonies about Kirschbaum's activities which are sufficient for initiating a new investigation. That, however, would require that our investigating agencies be well informed, and it would particularly require political courage.

Two Slovak Jews, Dr. Rudolf Virba and Alfred Wetzler, succeeded in doing the incredible. They escaped from

Oswiecim. Their written report for the first time told the world details about the Nazi extermination machine, and to this day is considered to be one of the most reliable testimonies about the holocaust. It is precisely R. Vrba who said about Jozef Kirschbaum: "Shortly after Munich he led a group that carried out the first pogroms, and later he was entrusted with organizing the forced herding of Jews into box cars, which took them directly to the gas chambers."

Comfortable Forgetting

Vrba is not the only one who publicly refers to Kirschbaum's past. The old man several times sued authors of similar statements (for example, the daily JERUSALEM POST), but in the end it never ended in a trial because he himself withdrew the suit. Today, when the ideas to which he devoted his life are finding a response in Slovakia, he feels strong again. And not he alone.

The prosecution of people who committed crimes against humanity during the war is seriously flawed here. A year ago the governmental commission for prosecuting war criminals was dissolved. When Canadian agencies recently asked the CSFR Prosecutor General's Office whether Kirschbaum is on the Czechoslovak list of war criminals, it was discovered that the prosecutor general does not have the list at his disposal. Obviously 47 years is a sufficiently long time for us to comfortably forget everything.

In June 1990, when in connection with the Kirschbaum case newspapers wrote about the possibility that he could be "welcomed as a national hero" in Slovakia, many considered it journalistic license and sensationalism. The unbelievable has still not become a concrete reality, but we are definitely a year closer to it.

Annexation of Ruthenia Open Question

92CH0304A Bratislava VEREJNOST in Slovak
14 Jan 92 p 2

[Report by (ra): "Will Ruthenia Become a Problem?"]

[Text] "Until now it used to be alleged that without the Great October Socialist Revolution, there would be no Czechoslovakia. However, the opposite is true. Had the Bolsheviks not staged a coup d'etat in November 1917 and seized power, World War I might have ended six months earlier, and the founding of Czechoslovakia would also have occurred six months earlier," said Jan Mlynarik, a historian and deputy of the Federal Assembly, yesterday at the briefing of the ODU-VPN [Civic Democratic Union-Public Against Violence], and continued: "As we know, the Bolsheviks intended to disperse the Czechoslovak legions. Trotsky issued orders to execute every legionnaire caught with a weapon. And thus, our legions were forced to fight in self-defense against Bolshevik power. This used to be held like a mortal sin against our legionnaires."

M.R. Stefanik once noted that Bolshevism poses a moral threat and must be opposed. As it later turned out, he was right. Mlynarik emphasized that although the fall of the great empire has been anticipated, no one could foresee that it would happen so rapidly. "Now a question poses itself: How shall we deal with our neighbors in the matter of Ruthenia? Masaryk never expected that its territory might belong to Czechoslovakia. That idea was first proposed by the representatives of the Ruthenians in the United States, who requested that Masaryk consider that possibility. In mid-1919 their proposal was adopted." From 1939 to 1944 Ruthenia was part of the Hungarian state. What was the attitude of the Soviet Government to that particular problem (i.e., of Ruthenia)? It did recognize our government in exile in London as well as Czechoslovakia's pre-Munich frontiers, including Ruthenia. That position was reaffirmed in the Czechoslovak-Soviet treaty of 1943. In 1944, when Czechoslovakia's representatives arrived in Kiev to take over the government, the local radio stirred up such an atmosphere that our representatives had to leave, being practically driven out from that city. In July 1945, our delegates traveled to Moscow in order to resolve the conflict. The governmental delegation, faced with an open-and-shut case, signed the surrender of that territory to the Soviet Union. Afterwards the National Assembly also endorsed—unanimously—the cession of that territory to Ukraine. It was an unconstitutional act because pursuant to our constitution of 1920, only a constitutional law may cede a state territory. The Provisional National Assembly lacked such a mandate because no one had elected it. Only the National Assembly elected in 1946 obtained that mandate.

"We must expect that the breakup of the erstwhile Soviet Union may prompt our neighbors to ask whether the Kiev government will conform with Stalin's territorial designs—the so-called annexations. This applies to eastern Poland, Bessarabia, and Bukovina. One cannot preclude the possibility that the pertinent states may demand territorial revisions precisely in areas annexed by Stalin, among them also Ruthenia," noted Mlynarik, adding that if in conformity with their right of self-determination and on the basis of an international plebiscite, the Ruthenians should resolve that they want to return to Czechoslovakia, no one must stand in the way of their decision.

Results of KDH Zilina Convention Analyzed

92CH0304B Prague LIDOVE NOVINY in Slovak
18 Jan 92 p 3

[Article by Stefan Hrib: "Christian Democratic Movement Unified"]

[Text] A slogan proclaiming the unshakable unity of the KDH [Christian Democratic Movement] was prominently displayed behind the dais at the recent republic-wide congress of Christian Democrats in Zilina, and that despite the fact that right before that congress one KDH faction had made "an attempt at an intraparty takeover."

(verbatim statement by one of the KDH's moderate deputies) by introducing the Declaration of Slovakia's Sovereignty (presented at that time in the Slovak National Council by author Anton Hykisch in an embarrassing pseudoliterary tone). As a matter of fact, that attempt was made during the absence of Prime Minister Jan Carnogursky.

Since then the status of the movement, which by the number of its deputies determines the Slovak political orientation, remained unchanged, but two distinct groups have crystallized within it. They may be characterized in somewhat simplified terms as a group of realistic nationalists and a group of fundamentalist nationalists.

Among the more prominent individuals in the former are, next to Jan Carnogursky, Deputy Prime Minister Jan Petrik; Julius Brocka, chairman of the Club of the KDH Deputies in the Slovak National Council; and Ivan Simko, chairman of the Slovak National Committee on Defense and Security in the Federal Assembly. This group is clearly aware that Slovakia's separation at this time is not possible without devastating economic consequences for its citizens. Despite some mild reservations (related to the social area), it also endorses the market economy and a radical economic reform.

The leader of fundamentalist nationalists in the KDH is the deputy chairman of the Slovak National Council, Jan Klepac. The spokesmen of this group are most frequently Minister Viliam Oberhauser and the above-named Anton Hykisch (as published), although they are no more than puppets in a game orchestrated by Klepac who stays quietly behind the scene, while his foot soldiers are "fighting" with unconcealed simplemindedness. Paradoxically in such instances, not the author, but the puppets manipulated by him are blamed for wrong moves, such as Oberhauser's failure to change the method of privatization, or the already mentioned "Hykisch declaration." In addition, almost all members of the club of KDH ministers belong to this group which is notorious for its firm belief in the equation "sovereignty equals prosperity" (this group is the target of the efforts of Vladimir Meciar who has regarded, and still regards, it as his ally in the government after elections). And again, it was Oberhauser who recently repeated in SLOVENSKY DENNIK (the KDH daily) the idea of the "Klepac group" on Slovakia's economic direction, and who proposed a massive state aid to enterprises, a deficit budget, and once more, Slovakia's mythical economic sovereignty (the same issue of SLOVENSKY DENNIK confirmed the schism in the KDH in an article in which economist Thomas Grey, Carnogursky's American adviser, sharply disagreed with Oberhauser).

There is a simple answer to the logical question about what has held both groups together within the same movement. It is the electoral base which guarantees legitimate power. To leave at this time a movement whose overwhelming majority now obviously stands behind its chairman, and to accept an open offer from

the HZDS (Movement for a Democratic Slovakia)—that would turn the adventurers around Klepac into Meciar's second class appendage. However, the ambitions of the fundamentalist nationalists in the KDH's ranks go much farther. Therefore, this group "plays it both ways." Nevertheless, if it succeeds in winning over the majority of the movement, at that very moment Jan Klepac will undoubtedly become a "Christian Meciar" (the oxymoron notwithstanding).

It is obvious that Jan Carnogursky will have to face some difficult times. In that respect it is paradoxical that he in fact has brought them upon himself by his (in his case undoubtedly sincere) nationalistic orientation and by his efforts to provide intellectual justification for "Slovakia's natural emancipation movement."

Komarek's Criticism of Economic Reform Rejected

Shock Therapy Viewed With Skepticism

22CH0274A Prague RUDE PRAVO in Czech 27 Dec 91
pp 1, 5

[Article by Václav Komarek, director of Forecasting Institute: "The Road to Ruin and How To Escape From It"—first paragraph is RUDE PRAVO introduction]

[Text] Prague—The economic reform, or as it is ever more frequently referred to as the transformation of a centrally planned economy into a market economy, is not exclusively a problem for Czechoslovakia. Today, it is ongoing, to a greater or lesser extent, in all the countries of central and East Europe—in other words, in the region of the former CEMA countries. More precisely stated, this is not a reform in general terms—this was debated in Hungary and in Poland for a number of years in the past—but rather a special type of reform which is briefly called shock therapy.

The father of this shock therapy is generally considered to be Jeffrey Sachs. He is a young father. Some years ago he completed his studies in the United States, then he worked briefly in Bolivia and, soon after attaining the age of 30, he sketched out the program for shock therapy in Poland where, in 1989, he prepared this type of reform together with Polish Minister of Finance Balcerowicz, as the minister's adviser.

What Does Shock Look Like?

While, until that time, all of these countries counted on the gradual application of the market system as well as privatization and a gradual opening of the economy toward mature competition, shock therapy is oriented toward the immediate one-time solution of this entire complex. By implementing parallel measures, it carries out the complete deregulation and liberalization of the economy, in other words, it eliminates the central regulation of production and replaces it with a mechanism of supply and demand, it liberalizes prices, exports, and imports, accompanied by the introduction of deeply

devalued uniform rates of exchange and currency convertibility and opens the way for massive and rapid privatization.

We find the justification for these steps in the theoretical work done by J. Sachs who explains, for example, that the market is a single and indivisible entity and must be introduced as a whole. While East European economists were tying currency convertibility to the production of convertible goods and considered the introduction of convertibility to be a long-term process, he illuminates the possibility of the immediate introduction of a devaluated uniform currency exchange rate which cannot approach the parity of purchasing power of the national currency, but rather achieves the opposite. In a similar and highly aggressive approach, he explains that as long as the countries of East Europe go about privatization in the same manner and at the same pace as Mrs. Thatcher, then the full opening of the economy and a complete entry into the sphere of international competition would take 500 years, given the extent of the state sector. Based on this postulate, Sachs sees the necessity for far more radical privatization approaches, etc.

A similar concept was formulated in our country in 1990. In essence, that which the tandem pair of Sachs-Baucerowicz has achieved in Poland was taken over. Just as I have no desire to disparage the ideas put forward by Professor Sachs and merely wish to note them, I would also not like to denigrate the original contributions made by our reform theoreticians. They clearly found new solutions and forms for various elements. For example, it is not possible to doubt that the Czechoslovak system of coupon privatization enjoys a certain originality.

The First Results

In this conception of shock therapy, the reforms have been ongoing in central and East Europe for several years now—in Poland, it is year 3, in the eastern portion of the Federal Republic of Germany, in Hungary, and in the CSFR, it is year two, and in Bulgaria, Romania, Russia, Ukraine, Lithuania, etc., it has already begun. However, it is debatable whether the extensive deregulation of the economies, the immense devaluation, and some kind of wild convertibility of the currencies in the eastern portion of Europe thus far has not been the work of the black economy and the result of the unrestrained disintegration of the official economy rather than being the work of a well-thought-through reform. After all, it is no secret that Russia virtually has internal convertibility if the dollar in customary business transactions is equivalent to approximately 50 rubles, that the Mafia of domestic entrepreneurs and speculators buy and sell at will, that they set prices for realistic sales any way they wish, etc., and this state of affairs has now existed for a number of years. However, we are not concerned here with one or another detail, but rather, with the gross characteristics of the actual status and course of economic processes or their management.

Though one or another fact in this gross characterization might be disputable, the fact that given shock-type complete deregulation and liberalization, all impacted economies get into great difficulties should be considered as indisputable. Poland, Hungary, the CSFR, but also the east German states in the area of the former GDR are recording strong declines in production on a scale of 20 to 30 percent in comparison with 1989; they are showing declines in real wages and consumption by the population of around a quarter to one-third (with the exception of the subsidized eastern portion of the FRG); they are showing a rapid increase in unemployment which, in all of these countries, is already oscillating between 7 and 12 percent and continues to grow, for example, in Poland it already exceeds two million, in this country, 500,000 are unemployed, etc. Toward the end of this year, it is possible to figure on similar trends in Bulgaria, Romania, and in the majority of the countries of the former USSR, and for next year we can predict a 30-percent decline in production and a 15-20-percent rate of unemployment.

Prices Will Inevitably Rise

Even in our case, the government is predicting that things will get palpably worse next year. The decline in production will not only last longer, but is expected to intensify by an additional 5 to 8 percentage points; the same is true of the decline in real wages and the number of unemployed is expected to rise to one million persons, that is to say approximately 14 percent of the labor force. Perhaps now, dismal forecasts will not be rejected. One year ago, approximately at this time, during the discussion of the proposed state budget in the Federal Assembly, when I formulated the prediction that the decline in production will be deeper and that unemployment will exceed half a million and will be approaching three-quarters of a million and will approach one million next year, the federal minister of finance immediately challenged this forecast on television as a product of catastrophic predictions by irresponsible delegates. When, in the spring of this year, together with other employees of the Forecasting Institute, we published a report indicating that, in contrast to the government estimate of a 5-percent decline in overall production, a 30-percent rise in inflation, we were predicting a 15-25-percent decline in overall production and a 60-percent increase in inflation and we were recommending that the restrictions be softened and that measures be taken to revive demand, this entire extensive prognostic analysis, containing almost 700 pages of text and, particularly, computations, graphs, and models, was rejected by a two-page high-spirited condemnation, accompanied by a color photograph of the author. By way of confirmation, in August-September of this year, declarations were made in this country as well as at various foreign congresses to the effect that we had successfully overcome inflation.

The current state budget, thus, no longer repeats this optimism of last year. On the contrary, the quite dismal

government prediction of a further decline in production, of real wages, of one million unemployed for 1992 confirms our prognosis, and what is even sadder is that it does away with a number of social assistance measures. But I fear that reality will be more cruel. For example, let us take the listed anticipated inflation rate for 1992 at 17 to 15 percent. If our market is fully open to 80 million German neighbors, then our prices will tend to rush toward the German ones, converted into korunas at a rate of 18 korunas (Kcs) per 1 mark (DM). The prices of industrial goods, that is to say, washing machines, freezers, refrigerators, etc., all the way through automobiles are already approaching these levels and the prices of services are beginning to march in the same direction. In the end, we must expect the same for foodstuffs. All of this, over the course of the next five to six years, must gradually pressure current average wages to levels which are twice or more likely three times as high as they are now or higher, provided there is no further devaluation which would still further accelerate this growth. Otherwise, given the approximate average monthly wage of DM800 in 1989 (see the parity of the koruna purchasing power at Kcs3.50 per DM), "the discussion" by Klaus, Jezek, and Dyba on Komarek without Komarek pegged to the "Komarek rate of exchange" we would drop to a level of DM200-300, which means tough going.

We thus have more than enough reasons to critically evaluate this development and to permit ourselves the consideration that shock therapy involving a weakened patient clearly carries the risk of collapse with it.

The Merry-Go-Round of Decline

The reasons for this risk are indisputably anchored in the deep past of the last 40 years. However, this cannot be explained mechanistically as if the overthrow of totalitarianism resulted in everything going down and that, in turn, resulted in a decline in production. The connection is not quite so simple and straightforward; it is brokered precisely by shock therapy. If we do not enter the area of well-known negative political deformations here and if we judge the faults of the central planning system, in a more narrow sense, then we should see that its typical structural deformations and long-term tendencies involving the decline of productivity, quality, and overall efficiency were resulting, at the same time—during the same time period—in a constantly greater falling behind in our standard of living, in the overall conditions of life, and the environment, in comparison with our West European neighbors. The overthrow of totalitarianism was supposed to halt these trends and to facilitate the solution of the accumulated problems, accompanied by a gradual improvement in the situation. However, it is precisely this turnaround which is made impossible by shock therapy, which compensates for deep devaluation and the full opening of the economy to foreign competition by tough restrictions of domestic demand—in other words, through a sharp lowering of public expenditures, real wages, subsidies, and cheap loans to agricultural and industrial enterprises. This

means a decline in demand for industrial and agricultural products and, in the long run, even of services, and results in sales difficulties for enterprises, a decline in their capital activities, in dismissal of employees, and yet a further decline in purchase-capable demand with the above consequences.

Ways Out

Ways out of this dilemma lie in halting this spiral of economic decline, in disrupting its mechanism. At the present time, there is only one possibility to accomplish this—to revive demand by the population, to support public and enterprise investments, and to thus create room for the sale of industrial and agricultural production and services as well as creating better and new job opportunities. This means abandoning the harsh restriction of expenditures for education, health services, science, and public investments (infrastructure, ecology, social housing construction); restrictions should be asserted vis-a-vis enterprises on a selective basis, retaining room for loans and for temporary subsidies to enterprises which hold promise for effectively changing their production. Restrictions on population income should be terminated completely (finance authorities like to claim that these are not restrictions, which would be true in a market economy, but not true yet in this country); in other words, in principle we should valorize old-age and disability pensions, the salaries of state employees (on a differentiated basis) proportionately with actual rises in prices, and we should liberalize wages. In view of the fact that the industrial and agricultural capacities which were here two years ago have thus far not disappeared, although they are partially weakened, in view of the fact that the amount of imported goods is rising and that there is the possibility here of traveling abroad and to invest in private business activities, to purchase real estate and securities, the revival of the purchasing power in 1989 should be covered more or less by a sufficiently great offering (analyses of supply and demand in the domestic market for the years 1987 to 1989 have shown that there is a lack of supply at higher income levels amounting to approximately Kcs30-40 billion, given overall annual population income of approximately Kcs450 billion). However, it would be necessary to prevent the excessive escape of the offering and of resources abroad at a cheap rate and also to prevent the thus increased demand being excessively covered by foreign offerings. In other words, we would have to increase protection for domestic industry against the excessively tough penetration of foreign competition, etc., and thus give enterprises a chance to recover.

Understandably, it is not possible to solve all of this with a few measures. It is clear, for example, that revaluation per se would work to the advantage of imports. However, imports can be limited by a customs policy, a tax policy, and by a certain import policy. The negative effects of devaluation can be limited not only through a revaluation, combined with specific regulatory incursions in the foreign exchange and price area, but the same results can be achieved by a managed inflation. Of course, such

measures would have to include such stabilizers which would prevent the need for further devaluation and which would, on the other hand, gradually attenuate the entire inflation spiral. Understandably a specific program of stabilization is necessary as are structural changes and modernization and an increase in the competitiveness of industry, a substantive program for reviving public investments, their priorities but also their strict economic nature, which is being undermined today by speculation and corruption, etc.

In other words, this is a matter of a combined and comprehensive national economic maneuver in which the incursions of the state in the economy need not be greater than is customary in a number of countries in West Europe.

These incursions would be smaller than they are today when state industries and agricultural cooperatives are being systematically ruined by virtually daily directives from the individual ministries. This type of destructive regulation, when the government is fighting against a state monopoly on a daily basis, is administratively directing every other step taken by industry, agriculture, the health industry, the monthly development of wages, salaries, and old-age pensions, etc., all the way through the Christmas price of a carp, needs to be replaced by a far less directive regulation which is constructive in nature and oriented toward the revival and gradual rise in the national economy. This would, understandably, no longer be shock therapy, but rather a gradual transition to a market economy, connected with the growth of overall prosperity as well as—and let us not be afraid to so state—with an increase in the standard of living, the environment, and the overall living conditions for the population.

U.S. Tour Planned

92CH02738 Prague LIDOVE NOVINY in Czech
5 Jan 92 p 6

[Report by (GoGo) V. Komarek to the United States.]

[Text] The Czechoslovak Social Democratic Party supports a proportional system of elections. Currently, our political scene consists of many parties, of which even the strongest, according to a public opinion poll, has only 22 percent of the electorate and thus cannot attain a political majority and that is why this system is adequate for this state of affairs, said J. Horak at yesterday's press conference. Also, the winner of the competition to reconstruct the People's House was announced to be the French firm of Nordfrance; another announcement contained information that the economic article written by V. Komarek and published in THE NEW YORK TIMES is some kind of an entry to the United States that will result in his official tour of the United States where he will discuss his ideas with editors of influential dailies.

No Alternative to Radical Reform Seen

92CH02738 Prague LIDOVE NOVINY in Czech
5 Jan 92 p 6

[Article by Karel Kriz: "The Fallacies of Valtr Komarek—The Road to Ruin and How To Escape From It"]

[Text] In December 1989, Valtr Komarek, director of the Forecasting Institute of the Czechoslovak Academy of Sciences, became deputy prime minister of the Federal Government. He was expected to form a team which would prepare the scenario for economic reform. He was not successful and his name no longer figured in the government which came into being as a result of free elections. Truth be told, we are still waiting to this day (in vain) for the promised scenario from the "workshop" of Valtr Komarek. However, in recent months, Valtr Komarek has again become expressly active. He is turning directly to the public and calls the ongoing economic transformation in Czechoslovakia, as well as in some other countries, a road to ruin. His article, which was published on 27 December 1991 in RUDE PRAVO ("The Road to Ruin and How To Escape From It"), is virtually illustrative in this regard. Apart from stating the facts, Valtr Komarek is guilty of a number of distortions which are worth commenting on and rectifying. I now wish to treat his disinterpretation of the origin and recovery of the current transformation strategy.

Valtr Komarek calls the ongoing economic transformation in the former CEMA countries "shock therapy" and connects it with the theoretical work done by Jeffrey Sachs, the young economist from Harvard who is an agile supporter of actual economic changes occurring in our region. This is clearly intended to create the impression that, by happenstance, the former socialist countries have gotten into the hands of an irresponsible maniac who plans to test his "doubtful and merciless theories" in practice on the backs of the poor local inhabitants.

The facts are different. Discussions regarding the economic prospects of socialism are as old as this idea itself. Very shortly following its realization in Russia, a polemic began as to whether a market system can function on the basis of social ownership when the fables regarding the advantages of command planning were never taken as a subject of serious discussion by so-called "mainstream" economists. From the 1950's then, in addition to practical experiments conducted by the Communists themselves in efforts to reform the economic bankruptcies which they introduced, a continuous specialized debate was ongoing in the economic community as to how to create a competitive economy from the centrally planned economy. At the end of the 1970's, this debate came to an end. Under the weight of facts, arguments, and practical failures in all reform countries, the "main economic stream" came to agree that socialism is unreformable; that no third road leads to any success, and that a competitor of the standard capitalist

economy can again only be that type of economy based on the market and on the private ownership of the means of production. Those names which in one form or another contributed most specifically to this discussion—such as Ludwig von Mises, F.A. Hayek, Michal Kalecki, Aba Lerner, Włodzimierz Brus, Isaac Lange, Janos Kornai, Joan Robinson, Barbara Wootton, Milton Friedman, George Stigler and others—shall not be forgotten.

Jeffrey Sachs thus stands on the shoulders of those economists—symbolically speaking. He is perhaps the most express representative of the new generation in terms of his ideas, he is part of that "mainstream" and his positions are, thus, shaped by the common ideological heritage of the world economic community. However, to argue, based on the current commitment and diligence with which he is participating in the preparation of specific measures in various countries, that he is the father of "shock therapy" (again using the terminology of Václav Komarek) is, mildly stated, erroneous. Ideas as to what needs to be done in Central and East Europe have been developing over a long period of time, slowly and tenaciously. In this process, Sachs played a highly negligible role, if he played any at all.

The fact that the actual economic transformation of the former socialist countries in its current image has not begun say 10 years ago is a political question, and not a professional question. At that time, the Communists still had sufficient forces in Hungary, Yugoslavia and in Poland to be able to block changes in the direction to a standard market. In the final analysis, Balcerowicz himself with his team prepared a scenario in Poland in 1987 which is very similar to that which he began implementing some nine years later. At that time, the Polish Communists selected another of the total of many reform strategies—they selected the one for which even Václav Komarek should certainly show more understanding. It is certainly worth noting even the remarkable warning, entitled "Turnaround and Reform", prepared by Hungarian economists headed by Antal János (member of the current prime minister), which gave rise to a great indignation on the part of the relatively tolerant communist leaders in Budapest following its publication at the beginning of 1987.

I dare say that in Czechoslovakia, among socialist economists, it was already deeply evident at the time, as to what kind of principal elements the economic transformation should contain once it will be possible to accomplish it.

It is to Václav Komarek's indisputable credit (irrespective of whatever intentions were motivating him) that in the 1980's he gradually concentrated a whole series of socialist economists in the Forecasting Department and later, into the Forecasting Institute of the Czechoslovak Academy of Sciences, all of whom had major or minor personal problems. Vladimír Rudlovec, Karel Dyba, Vladimír Hladký, Josef Kreuter, Karel Kouba, Otakar Turek, Tomas Trnka, Václav Klaus, Václav Kupka and others who, together

with a similar although numerically weaker group from the Economics Institute, formed the golden core of our economic community. However, it must be said that Václav Komarek never belonged to this core and personally never made a secret of his antipathy for the standard market system based on private ownership.

The cutting edge of his criticism was aimed not against the very essence of the planned economy, but against the method of its practical realization and against the professional and intellectual level of its protagonists. This is the ideological foundation on which even the well-known prognosis of 1988, which Václav Komarek edited, is based and which resulted in a 27-page report which the highest leadership of the Communist Party of Czechoslovakia debated in March 1989. At that time, the communist bosses sharply rejected this text which completes the picture of the situation which existed at the time—even relatively innocent perestrojka suggestions did not pass.

Over the past two years, much has changed. The Forecasting Institute has been transformed from the pride of Czechoslovak economics into a warehouse of former (and even current) communist officials, into a consulting group of Social Democrats, and of the KSCM (expansion not given) which is, mark it well, being maintained by the state budget. Has Václav Komarek changed? His road from advising Che Guevara up to the post of election leader of the Social Democratic Party offers a wide scale of possible answers.

Populism Seen as Threat to Reform

(The Wall/Prague *RESPEKT* in Czech 4 Jan 92 p. 1)

Article by Jan Machacek "The Cloud of Populism"

(Text) The year 1992 will be a year of additional free elections for us. The results will be key in terms of the survival of Czechoslovakia's democracy.

Just a few years ago, the communist system collapsed in the countries of Central and southeastern Europe. Some politicians (for example Z. Brzezinski) long ago spoke of the danger of nationalist conflicts in this connection. These people at that time took similar warnings seriously. Today, lectures from the bloody Yugoslav war are regular parts of the evening news on all television stations.

Liberty of developments in postcommunist countries of Europe may warn of another threat: populism. For the moment, left and new dictatorship follow on its heels, in a better case it is followed by chaos and disintegration.

Everything Is Allowed

Populism is difficult to capture and difficult to designate. Many politicians who profess it can behave in various ways. They can promise nonsense, but also things that are apparently doable, they can simply lie or they can lie in a refined manner. Some speak in the name of the working class, of the same old workers, some play on

people's feelings and stimulate envy, others stand for social justice. A populist can be a radical or can exhort people to compromise at the expense of justice and to the benefit of dirty tricks, he can promise law and order and putting an immediate end to criminality, he may spread xenophobia or threaten with the apocalypse, but he can also promise something altogether different, perhaps pie in the sky or duty-free zones.

It is not so simple to find a good deterrent example or a warning, showing the type of end result brought about by a populist policy. Czechoslovakia, Hungary, and Bulgaria only have the first parliamentary elections behind them—elections which occurred prior to the beginning of the reforms and prior to the initiation of the necessarily painful transition toward a market economy. The first "other" elections recently took place in Poland. Their results can be considered to be tragic, without exaggeration, but for a person who had the opportunity to follow the pre-election television spots sponsored by Polish political parties full of happy infants, smiling newweds, and walks through beautiful preserves, this was also not a great surprise.

3 Million Votes

Let us stay in Poland for a while. Mr. Tyminski, who returned last year from being an emigre and established the secretive Party X, is known to be a racist, an anti-Semite, and is known for not being embarrassed to collaborate with the former secret police. Naturally, this is not without importance, but his election program is far more interesting. Tyminski promised the citizens that, if he becomes president, energy would be free, as would municipal transportation and rents. In last year's presidential elections, he received three million votes for this promise and lacked only a little to come out the winner.

The X party and its leader have vanished from the Polish scene today, but Tyminski's populist method has found not a few who wish to continue it. Even President Walesa joined in—particularly in recent weeks he has been lavish with astounding utterances, to put it mildly. For example, in response to a question by journalists regarding whom he wishes to replace Finance Minister Leszek Balcerowicz (the author of the Polish reform plan) he said: "I visualize the new Balcerowicz as tens of Balcerowiczes who will scatter all over Poland, will collect all of our unemployed, and they will repair Poland's factories so as to make them competitive." Walesa did not specify whether he intends to lock all these unemployed in labor camps or whether he will properly pay them out of some kind of unknown resources.

Many who know the Polish political scene will object that Walesa is primarily a political tactician. On the one hand, he takes the side of the workers and the unemployed who are unhappy with the social impacts of the reform; and on the other side he uses behind-the-scenes negotiations to attempt to keep Bielecki's Liberal Congress in the government. In other words, the only party

whose program calls for staying with the existing course of economic transformation.

However, Walesa's double game could soon turn against him. To promise a "more considerate" economic policy than that conducted by Balcerowicz is very risky. Walesa knows full well that he lacks the necessary resources. Nevertheless, he is playing with fire.

"It Is Either I or Civil War"

Let us pause for a moment over the darkest persona. Russian populist and fascist Vladimir Zirinovsky is a personality that is as scary as he is realistic. In the Russian presidential elections, he polled six million votes and his popularity continues to grow. He heads the Liberal Democratic Party which is neither liberal nor democratic. Its program includes the prohibition of political parties, an authoritarian government, power policy for the police and for the Army, a powerful Russia. The party is calling for the revival of Cossack units, is promising cheap vodka, speaks of the yellow peril from the East, and a Muslim invasion from the south. The West is allegedly afraid of the powerful Russia and has already tried three times to ruin it. For the first time in 1917 through the implementation of bolshevism, then through World War II, and, finally, through the introduction of perestroika. "It will be either me or a civil war," says Zirinovsky and proclaims cynically at meetings: "In a rich country, my program would not pass, but in a poor and embittered country such as Russia, I shall win." According to Zirinovsky, the only defect in the August coup was that it was led by idiots.

A 3.50 Mark

Someone will probably think that we are not in Russia nor in Poland, that our political scene is more stable, that our political culture and the education of our citizens is at a higher level. This is a highly uncertain argument. The socialist and pure populist Vladimir Meciar was the prime minister of Slovakia for virtually a whole year and support for his party, according to public opinion polls, had stabilized at 23 percent of the electorate, following the ODS (Civic Democratic Party), this is the strongest party in the Czechoslovak federation. For anyone who no longer remembers, it is sufficient to recall Meciar's statement after his return from Moscow: "I have brought employment for 100,000 workers."

In the Czech Republic, the second most popular party is the CSSD (Czechoslovak Social Democratic Party). Its election ace, V. Komarek, is promising that the Deutsche mark will cost 3.50 korunas. This is a promise which is comparable to the promises made by Mr. Tyminski.

Inflation or Life

Populists in the West today, for the most part, propose high taxes for the rich and, in better cases, protectionism for the market. Nationalization will no longer carry the day. In this country, for the time being, we have a

shortage of rich people and there is nothing to nationalize. We can expect nothing from populists other than attacks upon privatization and various proposals to "soften" the reform. The problem lies in the fact that all of these pleasant-looking projects would lead only to one thing in their consequences: to inflation, to a budget deficit, to further indebtedness, and to more protection for the domestic market.

It will be the role of those political parties who elect to go along the road of a serious election campaign to again and endlessly explain that the fight against inflation has priority. The loss of the value of money leads to the gradual loss of all other values. (We see this also if we look at the example of inflation in Russia which is, incidentally, comparable to the inflation which beset Germany prior to the onset of fascism there.)

Serious politicians must clearly state that no one will lend us any money to cover the deficit in the budget, that protectionism only leads to the loss of competitiveness on the part of our products, that unemployment is an essential characteristic of the market. They must not promise paradise on earth, but merely a democratic system with a market economy which is still a long and difficult way in front of us. In their struggle with the gray cloud of populism, they have only two permitted weapons at their disposal: truth and sobriety.

Transformation of Cooperatives Discussed

Voluntary Cooperatives

22C H0261A Prague HOSPODARSKÉ NOVINY
in Czech 18 Dec 91, p 8

[Article by S. Procházka, chairman of the Agricultural Managers Association "The Principle of Free Will Applies The Transformation of the Agricultural Enterprise Sphere"]

[Text] Numerous employees in agriculture, politicians and experts at home and abroad are voicing their opinions on the problems of the transformation of our agriculture. There are disputes as to whether our large-scale production presents what the dispersed agriculture of the West is meant to attain or whether it is merely a remnant of totalitarianism, which must be totally stamped out. However, the vast majority of the individuals taking part in the debates do not question the need to effect changes in ownership.

We are all apparently convinced of the need to transform economic entities, but there is a wide range of opinions on how to do so.

When searching for an answer, we have to ask ourselves a basic question: What is the aim of privatization and transformation?

Is it merely a change in ownership, privatization alone? Is it really the need to split large units into smaller ones, assign a specific owner to every economic entity? Is it the

need to return to the last century by breaking up consolidated tracts into tiny strips? Is it the need to implement privatization and designate a specific owner who will let the land lie fallow because there is nothing to force him to cultivate it? Is it the breakup of monopolistic processors in the dairy industry and the creation of hundreds of thousands of new processing units in every community? And the same applies to processing meat, grain, and potatoes? Will everything then change with the wave of a magic wand?

The Answer to the Basic Question

This answer to the basic question is different. Surely it is a matter of increasing the efficiency of our agriculture!

We know how to increase efficiency—by creating viable enterprises, i.e., enterprises that, regardless of their size, will be capable of self-financing, whereby it is totally irrelevant whether they will be private, cooperative, or state owned.

Above all, able management is needed to create a viable economic entity, not solely in agriculture, after all, an active enterprise yields profits and is capable of further development on the basis of capital accumulation.

However, resolving the manner of creating profits, i.e., own management in agriculture, is, in practice, influenced by a number of barriers, of which the biological ones make it impossible to produce without land and make it impossible to preserve the production process.

Many other specifics/features have often been mentioned before, nevertheless, they must be taken into consideration. These, above all, include the following:

- The seasonal nature of production and sales
- The limited range of products
- The existence of a monopoly market
- Broad market sectors
- Problems with product quality
- Problems with warehousing and transportation
- The lack of clearly defined prices on the market
- The lack of clarity in the legislature
- The present surplus of offer over demand
- The saturated market in developed countries

We can find the solution to these problems in the trends of the leaders to integrate the market through agricultural products into a market economy and especially in the solution of the following problems:

1. Improvement of quality
2. Improvement of the durability of products and packaging technology
3. Systematic product mix innovation

4. Expansion and variety of the marketing network.
5. Achieving integration between production, processing, and marketing.
6. Improving the qualifications of the workers in the APK [agrofood complex], especially in the management and marketing of enterprises and products.

It will not be possible to take the next step until one has become aware of the barriers that differentiate agriculture from other branches.

A basic step preceding the method of transformation is the analysis of the agricultural enterprise sphere.

Integration Without Force

Using the specific features and barriers, we can divide the present enterprise sphere in agriculture (generally called the agrofood complex) into several characteristic sectors.

The first is the vital biological element of agriculture—land.

The second can be seen as the difference between our agriculture and that of the vast majority of developed countries—large-scale production technology.

The third is made up of the workers.

The fourth sector is composed of the owners.

However, the agricultural enterprise sphere is not only made up of individual sectors that create economic entities; strong integration elements also play an important role in it.

The agrofood complex achieved a considerable level of integration and monopolization during the last 40 years. However, the process of integration was not based on free will; it was enforced by state administrative intervention.

This feature of the agricultural enterprise sphere, the element of integration is, however, one of the conditions that is also necessary for the functioning of transformed and privatized agriculture.

The Advantage of Consolidation

At the present time, essentially two methods of transforming the enterprise sphere are known or being prepared. One of them is the privatization of state enterprises, and the other is the transformation of agricultural cooperatives.

At this time, the first sector of the agricultural enterprise sphere, land, is cultivated by workers using large-scale production technology in the vast majority of cases. According to all available analyses, owners are predominantly not included in this process.

Executing transformation through a mere exchange of the sector of workers with the sector of owners in the privatization process cannot be done without serious systemic turmoil.

Can this systemic turmoil be avoided? I believe that we will avoid it, or limit its effect to the lowest possible degree, if we accept the idea that the agricultural enterprise sphere cannot be privatized either in its entirety or in one go. And that the existing enterprises cannot be privatized in the form in which they were created, retaining their size, functions, market, workers, etc.

The road toward an effective transformation of the agricultural enterprise sphere is composed of several steps: starting with denationalization, via demonopolization and privatization of present enterprises, through to subsequent integration of new economic entities.

The organization and creation of viable enterprises are being dealt with in state enterprises by teams working on privatization projects, and after the law on the transformation of cooperatives has been passed, similar projects will also be dealt with there.

The responsibility lies with a crucial section of the sector of workers. This is the group of executive employees—the managers. Their role in this stage is indispensable.

In my opinion, managers should incorporate the creation of business and management centers into the privatization or transformation plans, centers that will include those elements of individual sectors of the enterprise sphere that are able to bring commercial results immediately.

Simultaneously, however, a large part of the assets of former enterprises will remain unprivatized during this stage, especially in the sector of large-scale production technologies. The main reason is the impossibility of direct privatization for the high book price of the vast majority of facilities in this sector. In the subsequent stage, however, a market will be created in this sector as well, since agriculture cannot exist without it, and therefore a market price will be created for large-scale production technologies, which will generally tend to be lower. Once supply and demand have equalized, there will be a natural utilization of this sector through integration in the created "management" enterprise. In the shorter or the longer term, additional entrepreneurs, private farmers, cooperatives of owners, and partnerships that were created between the workers and owners of large-capacity structures or joint ventures will join—be integrated into—the management enterprise.

At the same time, there will be an integration between the privatized enterprises in the processing industry and the agricultural primary industry, which will be based on economic relations, mutual advantages, and other features that are familiar in a market economy.

An End to the Decrees

Any obligatory linkage between the primary industry and the processing industry, even if incorporated into the approval procedures of privatization plans, is nothing more than the same administrative decrees that were used by the preceding power and that led to the creation of the former monopolistic producers or obligatory joint ventures with whose privatization we are now dealing.

The problem of the sector of owners is obscured by anonymity and the large numbers of owners. Only a few of the owners have been identified and it will take a long time before the problems of land and other assets in agriculture will be cleared up completely.

In any case, most owners will not farm their property; rather they will rent out or sell their assets. Due to the expected surplus of supply over demand, renting will be more common, but the price of the rent—rent of land—will also be guided by market principles, i.e. it will most probably be very low.

The sector of owners will need capable managers to administer their assets, managers who will administer the assets in the interest of the owner. Every professional manager will have to decide whether he will wait for the creation of privatized enterprises and will become an employee in them or, in the absence of such enterprises, he now has a unique opportunity to participate in their creation.

A Management Enterprise

The decision to create active enterprises of the management type, above all, requires the willingness not only to think in a managerial way but also to act in such a way. One could say that it requires dissociating oneself from "social economic" thinking and changing to "entrepreneurial" thinking.

Once any manager succeeds in surmounting this step, he will have the most difficult part of the decision-making process behind him. Unfortunately, there is no system that can resolve how to make this decision; everyone has to make it alone.

The system that resolves the sequence of further steps, the system of the practical founding of a management enterprise, is an integral part of the so-called management plan. The latter combines elements of the privatization process, as it is known in the present stage of the privatization of state enterprises, with elements of founding a viable enterprise in the agricultural enterprise sphere regardless of the nature of the original enterprise. It can be used equally well to transform agricultural cooperatives or to privatize state farms or joint ventures. We can use it when evaluating the potential for private business because it includes a number of procedures used by consulting agencies in the developed world.

The basis is the so-called decisionmaking algorithm which includes:

1. The definition of the aim and its expression in a quantitative form.
2. The expression of all quantities that can change the value of this aim (independent variables).
3. The study of the mutual relations between the quantities. The separation of independent quantities from those that are interconnected. The result may be a graphic or mathematical expression of the relations.
4. The separation of the quantities into ones that can be influenced and ones that cannot. Those that cannot be influenced are both external quantities (weather, natural conditions, or some characteristics of the market, for example, at this time, the nonexistence of a stock exchange, price regulations, etc.) and internal ones, for example, in the case of agriculture, the biological nature of production.
5. The development of a forecast of the probable value and further development of quantities that cannot be influenced and the determination of the degree of reliability (quality) of this forecast.
6. The development of a model that introduces the aim and all independent variables into the mutual relations.
7. The stipulation of the range within which individual controlled quantities may move (e.g. the minimum and maximum level of costs, production indicators, etc.).

The management plan will be developed by the company Zemap, which is a part of the Azim-Proess consortium on the basis of the decisionmaking algorithm; its basic components will be:

1. The business objective.
2. The usability of individual sectors of the enterprise sphere in the relevant area.
3. The evaluation of the present capital and the overall need for it.
4. The elimination of assets that cannot be used, including outstanding debts and obligations.
5. The method of dividing profits between participating partners.
6. The proposal for a management system of the organization.
7. The plan for founding the company.

Crucial factors are the business objective with expert opinions and verification of the realizability of the business objective—feasibility study; the verification of sales possibilities—marketing study; and the development of the personnel strategy—personnel study.

The usability of individual sectors of the agricultural enterprise sphere basically assumes a market evaluation

that will be used when assessing the overall need for capital for a management enterprise depending on the business objective.

The manner of acquiring capital is resolved using standard methods (net worth, credit, loans) as well as non-standard ones (coupon privatization, privatization coupon funds, employee shares, management shares, etc.).

The part dealing with the elimination of assets that cannot be used for a management enterprise resolves the verification of the usability of individual portions of the agricultural enterprise sphere's assets in the management enterprise and the methods of transferring usable assets to the ownership of the management enterprise.

In the legislative portion, a multicriterion analysis will be made and will serve to choose an advantageous legal organization form of the enterprise, to draft legal documents that are necessary to register the selected organization form in the enterprise register, as well as the organizational system itself.

...

Agriculture is going through a stage of privatization and transformation leading to a market economy. All sectors of the agricultural enterprise sphere, especially the sectors of workers and owners, must be guided by its principles:

1. Participation in the market is voluntary for everyone.
2. Access to the market is relatively easy, but failure is quite possible.
3. Price determines the supply of and demand for products.
4. Profit provides the incentive for taking risks and for competition.
5. Governments merely play a limited—strategic and regulatory—role.

Members' Responsibility

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in Czech 18 Dec 91 p 9

[Article by Ota Karen, chairman of CSFR Cooperative Union: "Key Problems of Nonagricultural Cooperatives: Members Share in the Assets"]

[Text] Some ideas about the transformation of cooperatives are essentially based on the belief that production and consumption cooperatives are pseudocooperatives, that membership in them was purely pro forma, and that they should therefore be expropriated and the law on small or large privatization should subsequently be asserted. The belief still persists that these cooperatives were abundantly subsidized by the state or that they received sales outlets and places of business free of charge, as well as other investments reimbursed from state resources. Is this true?

According to internationally valid cooperative principles, an organization must meet certain conditions to be considered to be a cooperative.

Conditions of Membership

A basic prerequisite is the personal investment of assets by the members in the business activities of the cooperative. A prerequisite of membership in a production or consumption cooperative was always reimbursement for the membership share. According to the status on 30 September 1991, the invested capital in Czech and Slovak consumption cooperatives amounts to 14,947 million Czech korunas [Kcs], of this, the value of members' shares is Kcs2,450 million. Members have a 16.38-percent direct investment in the net capital of the cooperative. In European countries the value of members' shares in the cooperative's net capital does not exceed 6 percent in consumption cooperatives. According to the status on 30 November 1991, the invested capital in Czech and Slovak production cooperatives amounts to a total of Kcs12,331 million, of this, the value of members' shares is Kcs1,251 million, i.e., the members have a 10.1-percent direct investment in the net capital of the cooperative. In European production cooperatives the asset shares of the members move in a range of 5-20 percent. A citizen who did not meet the requirement of asset investment in the business activities of the cooperative could never become a member of a nonagricultural cooperative. Therefore there is no reason to call production and consumption cooperatives pseudocooperatives.

The democratic nature of the cooperatives and voluntary membership in the cooperative, without any kind of discrimination or limitation, are also important from the point of view of internationally valid cooperative principles. The law regulating Czechoslovak nonagricultural cooperatives always demonstrated the voluntary nature of membership in a cooperative, and this principle was, in fact, violated only in individual cases through the extralegal forcing of individuals to join cooperatives within the framework of the so-called socialization of businesses and commerce. However, without exception, forced memberships stopped at the end of the 1950's, and now there are no longer any members from that period in the cooperatives.

The democratic nature of the cooperative system is demonstrated by the equality of the members (including the rule: one member, one vote, irrespective of the amount of the asset or labor contribution) and, above all, the democratic election of the cooperatives' agencies by their own members. The principle of democratic elections was distorted in real socialism in a number of cooperatives through the advance approval of women candidates by superior cooperative agencies and/or the Communist Party committees. Following the November revolution, elections of new cooperative agencies were held at the beginning of 1990, and in the course of these elections more than 70 percent of the officials changed.

On the basis of Law No. 176/1990 further elections of officials in all cooperative agencies were held (by the end of April 1990).

The Czechoslovak nonagricultural cooperative system is now a full member of the International Cooperative Alliance, as well as of international cooperative organizations of the EC countries.

The Assets of the Cooperatives

The asset base of production and consumption cooperatives was not an invention of socialism. Before the World War II already more than 16 thousand production, consumption, and housing cooperatives existed in the CSFR with assets amounting to tens of billions of korunas. After the war, cooperative insurance companies, banks and savings banks, and/or credit cooperatives were nationalized without compensation. After 1948 commercial and, in part, production and consumption cooperatives were nationalized without compensation. In 1952 all sales outlets in towns were taken from consumption cooperatives without compensation and they were given "responsibility" for supplying villages, and in 1958 almost all wholesale trade was taken from the consumption cooperatives and transferred to state business operations.

The asset base of consumption and production cooperatives was also not created to any great extent by state subsidies. During the period 1980-90, the cooperatives received a total of approximately Kcs800 million in subsidies. However, during the same period, they paid the state more than five times that amount within the framework of the cooperatives' income tax. Considering the extent of the activities of the production and consumption cooperatives and the results of their business activities, state subsidies had no great significance.

The statements that consumption cooperatives received sales outlets and places of business, set up in the context of the so-called "project Z" (community self-improvement program), from the state are also untrue. The full accounted value of these sales outlets was paid by the consumption cooperatives to the state even in those cases when the consumption cooperatives had no interest in investing in specific places and when they were ordered to take them over. On the other hand, reimbursement for expropriated sales outlets in towns, wholesale warehouses, the asset value of large production cooperatives that were "transformed" into national enterprises (e.g., Mars Svratka, Vitana Bysice, and a number of others), drained net worth, and, in the case of housing cooperatives, the devalued capital during the currency reform due to the discriminatory conversion of 1:50, was never provided to the cooperatives and will not be reimbursed even in the context of restitution.

Thus the assets of the production and consumption cooperatives were created from their own business activities and from the shares provided by the members of the cooperatives. The belief that they were created from the

state's resources is wrong. There is no reason to expropriate the present assets of the cooperatives or for their identity to be questioned.

True Ownership

The Czechoslovak nonagricultural cooperatives always owned their own assets. This was another way in which they differed from state enterprises, which always merely administered assets that were owned by the state. This fact issued, and still issues, from the constitution of the CSFR. If, as some deputies demand, the assets of the cooperatives were to be privatized in accordance with Law No. 92/1991 after the asset investments of the members have been paid out, they would first have to be expropriated without compensation. This would not only be in violation of Constitutional Law No. 100/1990 but also of the Constitutional Charter of basic rights and liberties, according to which the state provides equal protection to all owners.

According to the Czechoslovak constitution and other laws, including the amendment to the civil law and the new commercial code, the present cooperatives are legal entities with full rights. Only the members and/or the agencies of the cooperatives elected within the framework of the statutes may make decisions on the creation, existence, business activities, and discontinuance of the cooperatives. In order to ensure that the passing of the transformation law will not violate these principles, the draft of the law on nonagricultural cooperatives is based on the assumption that former members who request the renewal of their membership in the cooperative will be entitled persons in addition to the current members of cooperatives. If this principle were to be disregarded, the transformation law would be an unconstitutional intervention in the activities of nonagricultural cooperatives.

Nonagricultural cooperatives could also implement their asset transformation within the framework of Law No. 176/1990 and valid statutes. Nevertheless, for political reasons, we consider the adoption of the transformation law desirable even for nonagricultural cooperatives. After all, the provisions of Section 765 of the commercial code also assume this.

The Transformation of Net Assets

The draft of the law assumes the division of the net assets of production and consumption cooperatives into the asset shares of entitled persons (members and former members of cooperatives who requested that their membership be renewed). This objective is based on the premise that the assets of production and consumption cooperatives should primarily be created from the asset investments of the cooperative's members.

However, the above mentioned aim is based on erroneous assumptions in the case of production and consumption cooperatives.

Within the framework of transformation, the Czechoslovak nonagricultural cooperative system itself is preparing to increase the asset investments of the members of consumption and production cooperatives (in part, it has already raised them through so-called personification within the framework of Law No. 176/1990) so that the increased asset investments and the revenues issuing from them will increase the real interest of the cooperative's members in joint decision making on all substantial matters concerning the cooperative, on the election of high-quality cooperative agencies, etc. In the case of former members, especially of production cooperatives, we are aiming that the transformation will at least partially reimburse long-term members of the cooperatives, who worked in them during the wage discrimination that was executed in regard to production cooperatives by the communist state.

However, there is no reason to divide the major part of the net assets into asset shares of the members within the framework of the transformation. Because in the present difficult economic situation, this could result in pressure to liquidate otherwise profitable cooperatives (especially in the part of members who are no longer working in the cooperatives) in order to obtain "quick cash" for the relatively high assessed member shares. This would cause a growth in unemployment (more than 358,000 workers and members are employed in production and consumption cooperatives at this time), as well as significant inflationary pressure (the invested capital in production and consumption cooperatives exceeds Kcs27 billion according to book values, and when converted to an amount per member in consumption cooperatives, it would exceed Kcs11 thousand, and the amount per member in production cooperatives would exceed Kcs107 thousand). The mass, one-time sale of movable and immovable assets of production and consumption cooperatives would lead to a sharp drop in the value below the designated book value and thus to unnecessary economic losses.

Therefore we suggest that only a part, not exceeding 20-25 percent, of the net assets be transferred to the asset shares in production and consumption cooperatives, with the proviso that the rest be transferred to the indivisible cooperative fund.

The Membership Principle

In regard to nonagricultural cooperatives, the government's draft of the law assumes the principle that former members of cooperatives are also entitled persons, as long as they request the renewal of their membership. Only a cooperative's members should make decisions on property relations, legal status, transformation, and possibly also the discontinuance of the nonagricultural cooperative, and they should do this in accordance with internationally recognized cooperative principles. We expect that the nonagricultural cooperatives will accept former members—entitled persons—as members of the cooperative before calling a general meeting that will make the decisions on the transformation plans, and

thus that exclusively members of the cooperative will make the decisions on the transformation within the framework of a general meeting as the supreme agency of the cooperative according to the statutes. The government's draft meets this resolution partway in the proposed version of Section 7, paragraph 6. In regard to large cooperatives (especially consumption cooperatives, which at this time generally have 15,000-23,000 members from the whole okres), this will enable decision making through elected delegates. This resolution is fully in accord with the principles of cooperative democracy and does not conflict with the proposed provisions in Section 7, paragraph 2.

Members whose membership was renewed in production and consumption cooperatives (Section 14, paragraph 2 and Section 17, paragraph 2 of the government's draft) must have the opportunity to democratically elect their representatives. Therefore, the draft of the law should include a regulation in regard to the obligation to hold new elections of delegates in those cases when the delegates' meeting is the supreme agency of the production or consumption cooperative. For example, the election of delegates would have to be held 30 days prior to the meeting in which the supreme agency of the production or consumption cooperative is to discuss and approve the transformation plan.

Economic Reform Viewed by Independent Economists

92CH0275A Prague LIDOVE NOVINY in Czech
31 Dec 91 p 6

["Text" of statement signed and issued by Czech and Slovak Independent Economists "The Economic Transformation: Successes and Weaknesses"]

[Text] The measure of tolerance that the population is demonstrating for additional economic decline is rapidly shrinking. The feeling of insecurity and fear of the future is an opportunity for the most varied messiahs, who are willing to promise everything immediately if only they are given power. The danger of economic command planning is growing and could once more result in variously attired forms of political totalitarianism. At this difficult moment, we wish to stress that we see no easier way than the way of parliamentary democracy, based on competition between political parties and the way of transforming the economy to a market system based on competition, private ownership, and both external and internal openness. In contrast to other observers, we believe that the process of economic transformation is fundamentally successful and that it is not necessary to slow it down, but rather to expressly accelerate it. We agree with the leftist critics of the existing strategy of economic transformation only to the extent that this strategy had certain weak spots, the continuation of which could threaten the future course of the transformation. However, in our opinion, the mistakes are totally different from those mentioned by the above critics.

The Principles Are in Order

We definitely do not consider it to be an error that rapid price liberalization occurred. The gradual freeing of prices would have generated distorted signals over a long period of time and would have prevented effective market coordination at a time when the administrative management of the economy was already broken down. Renewing central regulation of prices would have been a step backward and would only have contributed to a further decline in efficiency and would have accelerated economic decline.

We do not consider it an error that the opening of the economy toward foreign countries occurred, that the koruna became internally convertible and was devalued to a level of a balanced rate of exchange. Support for exports through a monetary rate of exchange is an absolute fundamental condition of stability and dynamism for a small open economy in the center of Europe which, moreover, suffers from a shortage of internal demand. It is possible that today's rate deviates from the parity of the purchasing power, but we are convinced that this deviation is far smaller than stated by the critics. Nevertheless, the excessive undervaluation of the koruna can even have its negative sides, of which the disparity between "rich" foreigners and "poor" domestic citizens is only a smaller evil. An expensive dollar or mark can result in an excessively high protective barrier against the competition posed by foreign goods and can, thus, weaken a portion of the external impulses to make domestic production more efficient and to increase the quality of goods and services produced.

It is desirable for the koruna to become gradually more valorized. Of course, sudden revaluation would again disrupt the market balance and would compel the revival of the administrative allocation of foreign exchange. Bureaucrats would again acquire the right to make decisions regarding what should and should not be imported and regarding areas of the economy which should be developed more rapidly than others. An inescapable consequence would be a further decline in efficiency, an increase in the foreign debt, and still greater hesitation on the part of foreign investors. The koruna can be valorized only through the continuing opening of the market and not by its administrative restriction. Only an open market can generate the signals and impulses which will influence rational decisionmaking on the part of domestic as well as foreign businessmen in the proper direction.

Developments this year constitute proof of this. As of January 1991, the domestic price level increased by approximately one-half, but the nominal rate of exchange of the koruna was practically unchanged. This means that the koruna was experiencing a realistic valorization by about one-third. Recomputed in 1990 prices, the present rate of exchange is only about 30 korunas (Kcs) per \$1. As a consequence of the internal convertibility of the koruna, the market rate spontaneously sets the lower limits of efficient imports and

exports. No one will voluntarily do business in an open market under less advantageous conditions; however, the majority are doing business under better conditions. This only tends to confirm the demagogic nature of the vociferously proclaimed slogans dealing with a cheap clearance sale of the nation's labor and wealth abroad. Halfway through 1990, it was announced that, in foreign trade, Czechoslovakia was obtaining \$1 worth of imports for Kcs18 of costs of its exported products. However, this was an average exchange ratio and not the outside limit, which means that about one-half of the foreign trade transactions were accomplished at a more favorable rate of exchange and the second half at a worse rate of exchange. It is virtually certain that the average rate of exchange computed in 1990 prices is less than Kcs18 per \$1 today. The results of opening the economy, of devaluation, of internal convertibility of the koruna, and of the reallocations which occurred in the structure of exports are already showing substantial savings and do not represent a clearance sale of the national wealth to foreign countries.

We also do not consider it to be an error that monetary and budgetary restriction was applied which a few months later acted as a brake with regard to the nascent inflation. Rapid inflation is connected with great economic and social losses. Even if the present orientation of economic policy aimed at gradually diminishing the restrictive policies is useful, a sudden move toward expansive stimulation of demand at a time when enterprises have not yet been privatized—and have, therefore, not altered the way they conduct themselves—would lead more to a rise in prices than to increasing available offerings.

And we do not consider it at all to be an error that the attention and the energy of the government is currently being concentrated on privatizing the economy. Without a rapid change in ownership rights, it is impossible to create a functioning and competitive market economy. We do not believe that it is possible to substantially rationalize the conduct of enterprises under state ownership; we do not believe that it is possible, with the aid of rental agreements, to replace ownership rights and we are also deeply convinced that forms of employee ownership do not, in the majority of cases, have adequate motivational effects. Coupon privatization is also an important step by which the umbilical cord between the state and those state enterprises which are otherwise incapable of leading an independent economic life can be rapidly severed.

Finally, we do not consider it to be an error that the government is not proceeding along the path of the so-called structural policy based on "scientific" prognoses and "strategic planning." Western experiences in no way demonstrate that indicative planning would

assure success. The profession of the so-called socioeconomic prognosticators was almost completely discredited when it turned out that they were incapable of predicting any more significant economic change.

Expand Intervention

However, the existing strategy has not managed to avoid some more or less important shortcomings. The government has clearly become aware of some of these errors, but they continue elsewhere, also led by political pressure, and they continue in a bad direction. We shall list some of these errors, which we consider to be the most serious ones, below.

We see the first serious mistake in the fact that the government, for the present, has devoted far too little attention and support to newly created small and medium-size private enterprises. In Czechoslovakia, the fact that it is the small and medium-size businessmen who are, for the most part, beginning virtually from scratch, who are the motor of the future economy, is still not admitted. In our country, this sector was particularly damaged in its relationship with capital. The weakness in the banking sphere led and continues to lead to giving preference to the making of loans which are secured by property guarantees. In the case of the large state enterprises, this guarantee was adequate, whereas beginning private businessmen were only able to offer personal property as security. Loan guarantees on the basis of entrepreneurial projects were generally insufficient and the strategy of the bank was supported even by the rules calling for reducing the debts of state enterprises. We welcome the fact that both the federal government as well as both of the national governments have already become aware of the critical importance of the accelerated expansion of small and medium-size private business and are fielding new initiatives. It is only a question of how effectively they will be capable of supporting not only the conversion of state enterprises, but also the creation of new businesses.

The second mistake, which is closely tied to the first, is that, over a period of two years since the velvet revolution, small-scale privatization all over Czechoslovakia has accounted for perhaps only one-tenth of the desirable number of small private businesses. As a result, the private sector was not capable of contributing in a significant manner to the creation of the gross national product and to the creation of new jobs and thus mitigate the depth of the economic decline. For the same reasons, the private sector was not even capable of contributing more significantly to the creation of a competitive environment which might attenuate attempts to initiate monopoly-type price increases, an environment which would also exert pressure upon increasing the quality of goods and services.

Part and parcel of small-scale privatization was also supposed to be the privatization of state apartments, something which, in addition to increasing the quality of dwelling, would lessen the problems connected with the

liberalization of rentals, increase the mobility of workers, improve the relationship of the public with regard to private property, and strengthen the possibility of obtaining credits through mortgage loans. Accelerating and increasing the intervention resulting from small-scale privatization is a necessity.

A third mistake was the prohibition to sell privatization coupons, because this slows the process of capital concentration, reduces the effectiveness of the capital market, and generally damages the credibility value of privatization in the eyes of the general public. This effort, albeit well-meant, to protect the inexperienced citizen is essentially turning against him. The bureaucratically thinking politician has always been convinced that he knows better what is good for the citizen than the citizen himself and that he must, therefore, "protect" him at any price and thus prove his importance. If he defends himself against market forces by issuing administrative prohibitions, this is an effort which is not only ineffective, but also futile. It is already clear now that alternatives to the sale of coupons—be they legal or illegal—simply exist. Let us, therefore, prevent an escalation of administrative prohibitions which only further slow the establishment of a secondary market for securities and limit competition in the area of capital privatization funds. It is not the speculator who actually "cheats" the citizen, but the individual who restricts the development of the market. No proclamations by a politician nor any advertising on television will convince suspicious citizens that the value of their coupon booklets is greater than the registration fee. It is not the calculations of an official, but only the market which can determine the correct price. It is generally known that the market is an outstanding "machine" for processing information because it incorporates, into a single large information exchange system, the considerations and decisions of millions of people. Many of them are specialists who make high-quality estimates, based on expert knowledge, so as not to make mistakes in their market decisions. The findings and intentions of these individuals are then disseminated at lightning speed among the remaining participants through the medium of the market and also tend to increase the effectiveness of their decisions. It is never a limitation, but rather the greatest amount of freedom and expansion of the market which are the guarantees for the rapid dissemination of information and the formation of "a just" price.

Foreign Capital

We consider the timid attitude among politicians, the government, and the parliament with regard to foreign capital to be the fourth mistake. On the one hand, it is understood that the participation of foreign capital in the privatization of some large enterprises will be beneficial by bringing to the Czechoslovak economy missing modern technology and managerial experiences. On the other hand, however, there is constant repetition of reservations against large-scale capital, but particularly against small-scale foreign capital, as though its only goal were to plunder our economy. This essentially socialist

aversion to foreign capital is, moreover, being connected with a national aversion. This is manifesting itself particularly with regard to the attitude toward German capital, that is to say toward capital from the most developed neighboring country from which Czechoslovakia may anticipate the largest influx. Foreign capital has something to offer which is attractive not only to the partnership enterprise involved, but also for all of society. Its influx to this country will be accompanied not only by an influx of modern technology and experience of key managers, but by many other beneficial economic influences. Foreign capital will create new job opportunities for Czechoslovak employees, will result in increased demand for domestic products, will facilitate commercial contacts with foreign countries for our enterprises and will contribute to a more rapid perfection of financial markets and institutions. What is perhaps most important, its competitive presence will compel domestic businessmen to work more efficiently. Moreover, a rapid influx of foreign capital can substantially improve the balance of payments and, thus, contribute to valorizing the rate of exchange for the koruna.

Notions that without strong barriers and protective limitations given the present rate of exchange, foreign capital would buy up the entire Czechoslovak national wealth within one afternoon are totally nonsensical. The fact that foreign capital is not flowing to our country as rapidly as was expected indicates that, given the present rate of exchange, foreign investments in the Czechoslovak economy are not substantially more advantageous than investments elsewhere. The high degree of risk certainly accounts for a large share of this attitude. And by far not everything which is considered to be wealth in Czechoslovakia is perceived as wealth by people abroad.

However, let us admit that foreign capital would truly like to buy out almost everything and let us say that there were no restrictions. What would happen? Foreign investors would begin to buy local enterprises, real estate, and land parcels, and they would begin hiring workers to prepare their future services. How long might it be before all negotiations were concluded, contracts drawn, and ownership transferred involving, say, 10 percent of all the land, buildings, factories, and other forms of national wealth? Certainly, this could not occur at a pace faster than one year. But during the course of this year, the foreign investors would begin paying for the purchased property, so that a great influx of foreign capital would occur with a resulting improvement in the balance of payments and the valorization of the koruna. This process would continue only until the valorization of the koruna would make additional investments in Czechoslovakia inefficient.

We therefore consider it to be a great mistake that foreign investments are being saddled with restrictions, such as, for example, the exclusion of foreign capital from the first round of small-scale privatization, the exclusion of foreign capital from large-scale privatization involving selected enterprises (the so-called family member), the exclusion of foreigners from land ownership

and particularly the restriction of the activities of foreign banks in Czechoslovakia. Today, when foreign investments in former communist countries are not profitable and are highly risky, it is necessary that they be supported and advantaged to the maximum possible extent. A proven form of such a stimulation involves, for example, lower tax rates for long-term investments.

Support for Market Institutions

We consider the small amount of support rendered to the development of banking, tax, and particularly legal institutions to be the fifth mistake of existing economic policy. Privatization, restitution, the expansion of new enterprises, bankruptcies of moribund enterprises, transfers of manpower, liberalization of capital and labor markets, demonopolization, protection of competition and the new fiscal policy of the government—all of these require that the legal system be capable of assuring the efficient exercise of ownership rights among economic entities. The deep reorientation of production resources further requires that the transaction costs of these changes be minimized. Such fundamental economic changes which currently confront the Czechoslovak economy demand a deep transformation of legal institutions, the courts, the office of the prosecutor, and the arbitration commission. For purposes of their rapid development, it would surely be suitable to have them partially privatized.

Czechoslovakia undoubtedly has great opportunities to return to the ranks of developed European countries. The kind of economic policy which is to be adopted for this purpose is not immaterial. A market economy has many fine variations in its development, but the economic policy of transformation and the rules of the economic game must not be allowed to turn against the market principles and still further weaken the inadequate competitive environment of the Czechoslovak economy. It is the purpose of this statement that it become a starting point for the discussion of the strategy for economic transformation in Czechoslovakia. A discussion which would primarily involve constructive economic argumentation, unencumbered by political slogans and ideological fallout. Our public is capable, on its own, of ascribing the proper weight to alternatives presented in such a manner based on their substantive foundation, realism, and long-term validity and to base its own political decisions on these factors.

(signed) Vladimír Benáček (Charles University)
Ales Bulir (College of Economics, Prague, and London School of Economics, London)
Jin Hlavacek (Charles University)
Milan Horníáček (Charles University)
Jin Kosta (Frankfurt University)
Karel Kouba (Charles University)
Jozef Kucerák (Bratislava)
Rudrich Kyn (Boston University and Charles University)
Michal Meštrík (Charles University)

Pavel Petikan (Institute for Economic Research, Stockholm).

Jiri Slama (Institute for East Europe, Munich, and College of Economics, Prague).

Zdenek Tuma (Charles University).

Petr Zahradnik (Institute of Economics, Czechoslovak Academy of Sciences).

and Alena Zemplerova (Institute of Economics, Czechoslovak Academy of Sciences, and Princeton University).

Commercial Code Poses New Problems for Businesses

92CH0273B Prague MLADA FRONTA DNES in Czech 31 Dec 91 pp 1-2

[Unattributed article: "Everything for Business, How To Make Life Miserable for Private Business"]

[Text] The new Commercial Code caused panic among those who are interested in becoming entrepreneurs. First of all, the administrative fees are being raised from 120 korunas [Kcs] to Kcs1,000 for obtaining a small business permit. Anyone desiring a concession must pay Kcs2,000 for it. There are more changes, but among the largest is the requirement that both a private individual and also a legal entity will have to register at the small business office. This means that it will no longer be enough for state enterprises, stock corporations, cooperatives, etc., to merely register in the Enterprise Register. Prior to that time, they will have to acquire a concession. Reporters from MLADA FRONTA DNES checked in how things were in this regard at government offices.

A large increase in the number of applications for registration was recorded at small business offices in perhaps all Czech, Moravian, and Silesian towns. For example, at Zdar nad Sazavou they have already managed to take care of the majority of applications; the remainder will be handled after the New Year in accordance with the new law. "People wanted to save money by registering in December, but the new fees will also apply to small business people registering according to the hitherto valid law," said the chief of the office, Eng. Roman Krcil.

Hundreds of people were waiting at the appropriate district offices in Prague to have their applications for registration taken care of. A number of them not only lost time, but money as well. For example, a female baker lost her job in a private bakery that was. Without registration, the owner will not employ her. In Prague, a delegation of people disgruntled by the law even went after the magistrate. He said that he was sorry, but nothing could be done. He alleged that there were no capacities available. Representatives of Prague magistrates, however, are on the defensive.

Representatives of the magistrates of Prague issued a position paper on 20 December in which they draw the attention of responsible organizations to the fact that just four working days prior to the effective date of the small business law they still do not have any small business

departments which will in fact be implementing the law and that they have not solved the fundamental technical, organizational, financial, personnel, and space problems involved in the proper exercise of the duties they are expected to perform on the basis of the small business law. As we were told by the deputy magistrate of the district office for Prague 10, Eng. Daniela Vamberova, the deputy magistrates in all of Prague's districts believe that the Ministry of Commerce and Tourism of the Czech Republic is responsible for the existing situation.

"We believe that the district offices in Prague have the same starting position as many of the offices in the republic," we were told by Dr. Marian Simek, head of the Small Business Department, who spoke for the Ministry of Commerce and Tourism of the Czech Republic. "We are aware of the fact that a very short time is available to handle the entire problem and to master it in a quality manner—approximately one month—but in no case was the ministry responsible for this situation. It is merely the central organ of state administration which is assuring a uniform procedure is applied in implementing the given legal regulations. On the territory of the city of Prague, all jurisdictions are under the office of the magistrate. Our ministry cares only for small business people in Bohemia and Moravia. We fought to have the effective date of the law delayed. Unfortunately, we were not successful. Small business is in the tank."

The chairman of the Association of Businessmen in Slovakia, Eng. Karol Pavlu, told us yesterday that in his opinion it is necessary to first create suitable conditions for the functioning of the small business law. In his opinion, even that is a reason why the association turned to the chairman of the Slovak National Council as early as the beginning of December with requests to delay the effective date of the small business law until June 1992. If that does not occur, Engineer Pavlu believes that the bureaucrats will acquire still more power over entrepreneurs.

Problems Noted With Large-Scale Privatization

92CH0273C Prague SVET HOSPODARSTVI in Czech 31 Dec 91 pp 1-2

Article by Jan Ferenc and Ludmila Zizova: "Large-Scale Privatization—A Bridge to a Market Economy? Substances Is Being Lost as a Result of Delays."

[Text] The delay in large-scale privatization is seen as a signal indicating that the transformation of the economy could slow down substantially. The signal was interpreted in contrast to previous signals because it has been the strongest thus far. The delay in large-scale privatization will cause a delay in the privatization period. The consequences will thus far only been sensed even though they are taking on increasingly concrete outlines. [If we look at some of the problems...

Chaos and legislation is the first of them. The law on large-scale privatization is full of holes, something which was known from the very beginning. We were reminded of the following by Eng. Eva Kivacova, adviser to Tomas Jezek, the Czech minister for the administration of national property and its privatization: "The law contains a total of 10 privatization methods, but does not establish the rules of priority. The ministry is forced to finish shaping the law for itself." And this is not only true of Jezek's ministry which approves privatization projects, but also of those ministries which are exercising the functions of founder.

Such a situation creates perfect prerequisites for bureaucratic delays of project approvals and for corruption.

Disagreements regarding the concept of privatization subsided many months ago, but only seemingly so. The November frictions involving Minister Klaus and Minister Jezek were characterized by Vaclav Klaus as "such small subtleties between ourselves" which could grow into a public rupture.

At the very beginning, financial offices believed that coupon privatization would make it possible to privatize up to 40 percent of state property intended for privatization. Subsequently, these notions fell to below 30 percent, but, nevertheless, nothing was changed regarding the conviction that the coupon method will be preferred over other methods of privatization. It is simpler and, therefore, also quicker than standard methods. "To evaluate alternative privatization projects, to restructure the accounts receivable and accounts payable of enterprises will be extremely complicated," estimated Eng. Jaroslav Jurecka, deputy to Minister Klaus, correctly as early as spring. "Coupon privatization is proposed precisely because it circumvents all of these complications."

However, Minister Jezek, speaking with SVET HOSPODARSTVI a month earlier explains things as follows: "The resulting ratio between standard and nonstandard methods depends to a large part on time. The less time there is, the more we shall be forced to utilize the coupon method. The more time there is, the more we shall be able to play out the entire scale of standard methods, ranging from auctions through public competitions all the way through the sale of facilities to foreign capital."

The dispute between both ministers was resolved in a various manner. The time schedule for coupon privatization was applied to the more generous concept of privatization, in which all methods would have equal standing. The fundamental dispute was pushed beyond the horizon of the public and the communications media. Among others, this resulted in the high degree of documentation among the processors of privatization projects.

Rumors which were spreading through the offices of directors of state enterprises and through the offices of the processors of alternative projects virtually completely replaced any more or serious information. Some of

these rumors, any privatization other than coupon privatization will not be approved; alternative projects are not even read by anyone; auctions and direct sales have been prohibited; ministries are recalling those directors who do not pay enough for coupons. Some of these rumors survive to this day.

There exists the belief that these rumors not only arise in and of themselves as a consequence of the availability of insufficient information, but that someone is deliberately spreading them. "I don't want to say who is supporting and financing the spread of such reports," was heard coming from a higher-placed entrepreneurial personality, addressing the Federal Ministry of Finance.

It remains true that not a few enterprise directors dismissed their subordinates "for loss of confidence," that not a few directors refused to submit to Government Resolution No. 242 of 10 July which ordered them to provide information regarding the enterprise to processors of competing projects and that these processors then reportedly lost interest.

Minister Jezek did not gain any time even now as a result of playing out the wide scale of privatization methods. Time was not gained by processors of primary projects—they turned them over by last October. He is not well come by enterprise directors who regard privatization in the same manner as captains of leaking barges might regard the Cape of Good Hope. Those directors who, for the present, are harming their state enterprises to the benefit of their private firms did gain time. The processors of competitive projects also gained time.

Private entrepreneurs are evaluating the "momentary" delay through the mouth of the press spokesman of their republic-wide association, Otto Frinta. "This was a victory for prosperity and democracy which came into being without the middle class. Competing projects should primarily stem from the pens of private entrepreneurs. They place their hopes in the establishment of a lower and middle class in spite of large-scale privatization carried out largely by standard methods. It represents one of their last chances to become entrepreneurs in an area other than retailing and large-scale fraud."

Thanks to the largess of its chief, the Ministry for Privatization has more work to do as a result of the postponement. A larger quantity of competing projects means longer and more responsible decision-making. "To gain time for competing projects was an important reason for putting off institution of coupon privatization," states Engineer Kivacova. "If there was nothing from which to select, we would find ourselves in the same situation as the former power center, which approved that which came from below as a matter of formality. We would be a ministry of official, tame rabbits could make fun."

The founder, at least the principal founder, in other words, the Ministry of Industry of the Czech Republic, consoles itself through the mouth of its spokesman, that

Vrha, that the putting off of coupon privatization is not resulting in the putting off of privatization as a whole. The first and second wave are truly methodological aids to coupon privatization, but proposals for privatization by standard methods within these target dates are getting a free ride for purely practical reasons. It is possible to actually accomplish standard privatization formally at any time. Nevertheless, in the opinion of Eng. Jan Vrestal, the director of industrial policy and privatization in the engineering investment section, the putting off of coupon privatization is more or less undesirable and unnecessary. He reminds us that the processors of competing projects have known, since April, of the possibility for submitting their projects. "Anyone who wanted to process a competing project did so and turned it in within the deadline." He documents his contention by providing information from the Privatization Commission of the Ministry of Industry of the Czech Republic for Capital Engineering where 70 original projects were opposed by 50 competing ones in sufficient time, that is, by the end of October, and in the following month, only three competing projects were turned in.

However, he admits that the information provided by enterprises regarding their conditions to the processors of competing projects could sometimes have become hung up and he reminds us also of the duties of the founder to augment the missing data for the projects. "It is only a question of the technique involved in the contact between the enterprise, the founder and the processor."

Processors of competing projects were repeatedly assured that they may submit even incomplete projects—the most important thing being the entrepreneurial intention.

At least at the level of the Ministry for Privatization, the criteria for judging and approving projects did not change during the entire preparatory period. According to information provided by the adviser to the minister, all methods of privatization are equal. Priority is given to competing methods, that is to say, to public auctions, public competitions, the coupon method. The latter, as a nonstandard method, will be recommended particularly with respect to enterprises which are sufficiently large to be able to accommodate a larger number of owners, according to internal criteria, this size would begin at 100 million korunas (Kcs) of basic capital. However, these are general considerations. All projects will be judged individually and all projects involving the same enterprise will be judged in parallel.

Direct sale to a previously determined interested party is approved by the government of the Czech Republic, both for sales to domestic capital and also to foreign capital.

The entrepreneurial intention is an important guideline for judging projects both for Minister Jizek and also at the Ministry for Privatization of the Czech Republic. The intention is not binding. In the use itself, the

economic climate, the status of the enterprise, and its market position are changeable; on the other hand, it is not possible to order a new owner to fulfill any intentions which someone else had rejected before him. The Fund of National Wealth will have an interest in seeing to it that entrepreneurial intentions are fulfilled in cases where such an intention could become part of a legal document, for example, of a purchasing agreement. At both ministries, only a limited number of people who are pledged to secrecy are working with complete projects, including entrepreneurial intentions.

The Ministry for Privatization, in basic agreement with the Ministry for Privatization of the Czech Republic, has issued repeated assurances that an enterprise facing bankruptcy will not be permitted to enter coupon privatization, nor will securities be issued unless they are secured by property which is not usable in the business, for example, uncollectable invoices. However, according to certain indications, this latter point will yet become the object of discussions involving the Federal Ministry of Finance.

Therefore, it would seem that Minister Jizek is clear about his type of privatization. He should also clarify the situation within himself. This will help him find allies. Public relations are perhaps a weak spot of all our governments, but in the case of the minister for privatization, who must decide the fate of state property worth Kcs300 billion and the fate of 1,460 enterprises, such a shortcoming is more than regrettable. For a journalist, it is hard if he cannot rely on his statements. Moreover, as a result of some already popularized statements regarding a responsibility to God, regarding the fact that he will decide everything himself, he is getting into a lonely position bordering on political isolation from which not even those who are his fellow players have an opportunity to extricate him because he does not give them the opportunity to do so. Like an ice hockey goal-tender who sends his entire defensive line to the bench, the minister is scoring in his own goal in an effort to weather any attacks.

In part, it is possible to understand his lack of confidence in collaborating with some ministries or their officials, old structures, corruption, etc. But sooner or later—and now actually only later—he will have to choose the lesser of two evils. He must either risk collaboration or miss even this March deadline. After all, the numbers are simple—the deadlines are drawing dangerously close to the elections.

Large-scale privatization finds itself at the intersection of interests evinced by many disparate social groups, each of which is actively striving to acquire state property. As long as no consensus is found, privatization will become the Achilles heel of the situation. The interest groups and organizations, not to mention parliament, should care how preparations for privatization are progressing. It is turning out that the fundamental mistake which led to putting off privatization was to decide

"yes," to vote out a bad law, and then to leave the work to the experts under minimum public supervision.

"We must find methods which are not optimal for anyone and are acceptable by everyone," comments Eva Kivacova. However, they must be sought quickly.

The opportunities which offer themselves to us in large-scale privatization should not be wasted by us.

Our citizens have a unique opportunity to get back property which had been permanently nationalized for 40 years, entrepreneurs have an open road to the acquisition of small and medium-size enterprises. Ministerial executives have the opportunity of prevailing with honor, as long as they realize that honor is a condition which is necessary, but not sufficient in itself.

Kupa in German Weekly: Shock Therapy Unnecessary

92CH02398 Dusseldorf WIRTSCHAFTSWOCHEN
in German 20 Dec 91 p 30

[Interview with Finance Minister Mihaly Kupa by Hans Jakob Ginsburg, place and date not given: "Mihaly Kupa Visits the FRG: 'Compare Us'. For the Struggle Against Recession, the Hungarian Finance Minister Is Betting on the Further Influx of Foreign Capital"]

[Text] [Ginsburg] Mr. Minister, this week you are in Bonn. What do you expect from this visit?

[Kupa] I would like to be informed about the results of the Maastricht EEC summit and, of course, to consult about the further expansion of our economic relations.

[Ginsburg] What does Maastricht mean for a European state outside the EEC?

[Kupa] Whether Maastricht is a milestone of European history or only an episode we cannot yet say today. In 20 years we will see this. For Hungary, at any rate, association with the European Community in this context is a great success.

[Ginsburg] Otherwise, your successes are minor after all. You are suffering from a recession, you have inflation of approximately 35 percent, growing unemployment, and high foreign indebtedness.

[Kupa] Our situation is difficult, but it should not be exaggerated. During the reform process we were forced to accept blows that we had not expected beforehand. For example, the increase in energy costs after the demise of CEMA. Without the increased prices for energy, the inflation rate would amount to only about 20 percent, not 35 percent. Unemployment, for example in the industrial area in northern Hungary, is very high indeed—in Budapest, on the other hand, there is practically no unemployment. And we hope to overcome the recession next year. Our foreign indebtedness, finally, has remained constant at about \$20 billion, with one very important change: Under the old regime, the representatives of our national bank and government solicited the international creditors for money. Today, foreign banks are coming to us and ask us to borrow money from them. They have faith in Hungary.

[Ginsburg] Do you think you are well advised to become more indebted?

[Kupa] We are pursuing the path of solidity in regard to financial policy and the state household deficit, too, must be reduced further. But the new structuring of the social or educational system does cost money.

[Ginsburg] Do you want to copy the West European social security systems?

[Kupa] Now that you are talking about copying. We have taken from you, from the Federal Republic, the concept

and idea of "social market economy." In the construction of a new social system, we are borrowing above all from the Austrian example—at the level of the 1960's. We are following the principle that the state should act only where no one else can.

[Ginsburg] When you became minister last year, your name stood for energetic state saving. Now you have presented a budget for the coming year with a deficit of 69 billion forints. Does the Hungarian finance minister lack the power to prevail in the Hungarian government?

[Kupa] The finance minister is powerful enough. Just last weekend there was a session of the board of directors of the Democratic Forum, that is the largest government party. And there I was the only minister to be expressly praised for my policy.

[Ginsburg] Can a previously communist land be successfully restructured without shock therapy?

[Kupa] Yes, definitely! Why don't you compare us with Poland, where my friend and colleague Leszek Balcerowicz most likely will now have to give up his office—or with the Czech and Slovak Federal Republic, where the discontent of the population is very great. Shock therapy is necessary if certain general conditions make this compulsory. In Hungary this is not the case.

[Ginsburg] In the West people easily gain the impression that Hungary, with its slow pace and relatively lax budget policy, is losing its pioneer role as a reform state in East Europe.

[Kupa] That is simply not true. And the Western investors do not see it so. With foreign investments of \$2 billion we are clearly at the top. And with the help of further foreign investments, privatization, too, will advance smoothly and the recession will be overcome. Today 5 percent of the Hungarian economy are joint ventures or foreign sole ownership.

[Ginsburg] In a Hungarian newspaper caricature, one recently saw a street row with an Austrian supermarket branch, a German enterprise office, and a likewise foreign textile business, and before it a Hungarian is standing and asking whether actually 51 percent of the country will remain Hungarian.

[Kupa] (laughing) The Hungarians will quickly comprehend that foreign investments create the jobs today that we urgently need. And when foreign trading chains open up branches here, we can buy better and more inexpensively.

German Weekly: Hungarian Good Mood Unwarranted

92CH02394 Dusseldorf WIRTSCHAFTSWOCHEN
in German 20 Dec 91 pp 34-37 ff

[Article by Hans Jakob Ginsburg, "Hungary: A Minor Relapse. The Budapest Reformers Do Not Want To Have Anything To Do With Shock Therapy Methods"]

[Text] At the beginning of December, the head banker was still spreading a good mood. In the coming year, according to Gyorgy Suranyi, president of the Hungarian National Bank, Hungary's gross social product would for the first time in three years "possibly again increase a little." To be sure, he admitted, the unemployment figure threatens to double from the present 6 percent; to be sure, he said, the state budget deficit is too high—and nevertheless, he suggested, Hungary's balance for 1991 is proving to be better than expected. The net balance of payments, he pointed out, instead of the expected minus, shows a surplus of approximately \$300 million, and capital in the amount of \$1.2 billion has flowed into the country from the West.

This assessment became Suranyi's swan song. A few days after his hopeful report to foreign managers, Prime Minister Jozsef Antall fired the head banker and replaced him with Peter Akos Bod, up to now the minister of industry and trade. Expressly not because of objective differences, but because Suranyi had co-signed a "Democratic Charter," in which intellectuals and opposition politicians denounced Antall's way of dealing with freedom of opinion and pluralism in newspapers and the press.

To topple a respected politician from the world of finance for reasons of party politics proved to be very difficult in Poland with Leszek Balcerowicz, the finance minister up to now, but in Hungary it evidently poses no great problem. In spite of foreign indebtedness and a 7-percent reduction in the gross social product in 1991, the country can afford many a luxury. The Hungarian appeal for foreign investors and the export successes of the Danube country do not suffer from personal intrigues of politicians and also not from a reform policy which, by comparison to the strategies in Warsaw, Prague, or the Eastern part of Germany, seems downright naive.

This is especially true of the privatization policy. No complicated models involving funds or coupons as in Poland or Czechoslovakia, also no political middle-course between selling, reorganizing, and subsidizing as in Birgit Breuel's Trust Agency. Hungary sells what can be sold—and otherwise the state enterprises still under state control continue operating as before. To be sure, since 1990 there exists a state institution which in its numerous German-language publications signs as "Trust Agency." But in its rather modest office facilities below

the Castle Hill of Buda, a simple sales agency is at work—and not a super holding company. Lajos Csepel, the trust head, does not want to have anything to do with industrial policy. Not for dogmatic reasons, but because the Hungarians trust their enterprise managers to make correct decisions on their own and without state supervision. In the other CEMA-countries, they point out, the old system left economic functionaries at the head of the enterprises, "in our country they were always managers." And the Hungarian government is confident that they themselves will find buyers for their enterprises and carry out privatization under their own direction.

The undisturbed relationship to the economic past is also attracting international capital. Foreign investors have seen to it that the Hungarian trust company during the first year of its existence, in spite of everything, was able to privatize 66 enterprises with an estimated book value of close to 104 billion forints (equivalent to 2.5 billion German marks [DM]).

Nevertheless, an optimism prevails among Hungary's economists and politicians concerned with economic policy that is only partly supported by optimism. "In Spite of Crisis, Things Are Getting Better" ran the headline in the German language newspaper *BILD/AMSTERDAM RUNDSCHAU* about the newest figures of the Kopint-Datorg Institute for Business Cycle Analysis. In the small print one could then read that next year Hungary can "prepare for a substantially smaller relapse than that of this year."

The most important data is the reduction of the gross social product by 7 to 8 percent in the year now coming to an end. Above all, industry is caught in recession—in the first nine months of this year its production decreased by 6.6 percent compared to the previous year. This has to do not only with the diminished markets in the former Eastern Bloc, but also with shrinking domestic demand. In line with sinking real wages (the Vienna Institute for International Economic Comparisons registered minus 6.2 percent for the first six months of the year) the retail trade marked decreases in sales of about 20 percent. But the Hungarian forecasters are praising the government for its success in "avoiding a shock therapy."

During the second year after the end of communism, the Budapest pragmatists have attained a success that is unique for all of East Europe. The mood is better than the situation.

Commentary on Government's Policy Choices

92EP0165A Warsaw *TYGODNIK SOLIDARNOSC*
in Polish No 1, 3 Jan 92 p 3

[Article by Marta Miklaszewska: "Continuation? Turning Point? Survival?"]

[Text] After 47 days of the party and personal testing of the waters, we finally have a new government. The so-called mass media commonly say and write about this government that it is unknown whether it is the government of a party coalition, or the government of personalities. It is known that parties which support the government do not constitute a majority in the Sejm, most essayists cannot find any prominent personalities within the composition of the government.

The government has a very vague program. Therefore, it is unknown whether it will be the government of continuity, or the government of a turning point, in addition, the president does not like the government. As far as our society is concerned, it does not know anything about this government, and perhaps does not want to. Given these views, the following question comes up: How could this government be formed at all? Now that it has been formed after all, how long can it last?

Therefore, it may be worthwhile to track the birth of this very odd political phenomenon. The play for the government began almost immediately after the election in October. The party splintering of the Sejm appeared to ensure the advantage for the president in this game. His was also the first move. Walesa made it by entrusting the task of forming a government to a representative of the Democratic Union, Professor Jeremek. This was a mission doomed to failure from the very beginning. This confirms the view that this was a move for show on the part of the president. As a result, the group which is the strongest in the parliament was effectively left out of the game as early as the first dealing of the cards.

Subsequently, a coalition of five center right parties took the initiative, nominating Jan Olszewski as candidate. In view of the success the coalition had in elections to the presidiums of the Sejm and the Senate, the president, who resolutely did not favor this initiative initially, accomplished a preventive maneuver that is characteristic of his style: In an unexpected letter sent to the marshal of the Sejm, the president indicated Jan Olszewski as a candidate for prime minister. When the Sejm supported this candidacy, and the prime minister put together a cabinet, the sudden withdrawal of the Liberal-Democratic Congress, which is close to the president, from the coalition derailed the entire endeavor. It appeared that the subsequent attempt to create a parliamentary government had ultimately failed, and that all acts ended up in Lech Walesa's hands. However, the prime minister presented his own draft of the government, without the participation of the Liberals and the KPN [Confederation for an Independent Poland], abandoning it only in the face of explicit objections by the president. Making the dispute public created a new

situation in the Sejm which supported authorization for the prime minister [to form the government] by a majority vote. From that moment on, the future of his mission hinged on securing support from the UD (Democratic Union) or the PSL (Polish Peasant Party). The course of negotiations with these two parties is not known. Neither has resolved to directly participate in the government. Nonetheless, a considerable segment of PSL deputies resolved to support the government. In this manner, we got a government which is the product of a very complex political arrangement, the day before Christmas Eve.

Both the deputy clubs which provide the base of support for the government and the opposition represent a full range of parliamentary options from the right to the left. After all, the right-wing ZChN (Christian National Association), the centrists from the PC (Center Accord), and the left-wing PSL and Solidarity constitute the pillars of the government system. In turn, the main forces of the potential opposition include the right-wing KLD (Liberal-Democratic Congress), the center right KPN, the center left UD, and the extreme left Club of the Democratic Left. Under the circumstances, putting together a unified base of support for the government program appears as inconceivable as the creation of a realistic alternative to it on the part of the opposition. Both these puzzles are insoluble as far as the array of forces in the Sejm is concerned.

However, we should not forget that outside the oval walls of the Sejm chamber, a real status of interests, forces, and public attitudes exists in the country which does not correspond to the vision of political elites engaging in the game in the parliament.

At present, an overwhelming majority of our society is showing an absolute lack of interest in this game. The attention of the majority is focused on what determines the shape of Polish everyday reality: basic issues of economic life. The cost of living, earning potential, prospects for keeping or finding a job, the status of supplies and the availability of goods on the market are the main spheres of interest, concern, and hopes of the Poles at the end of 1991 and the beginning of 1992.

In this particular area, the room for maneuver is going to be incredibly restricted in the immediate future, both for government policies and any alternative set against it. Its limits will be marked by the depleted reserves of social resilience of the employee groups hit the hardest by the costs of transforming the system on one hand, and the need to maintain budgetary equilibrium and to defend the changes already accomplished on the way to a market economy.

In addition, even this small room for maneuver has not been studied to date. Given that evaluations of the magnitude of the budget deficit for 1991 range between 40 and almost 100 trillion zlotys, setting forth any socioeconomic programs is out of the question without making this estimate more realistic.

From this point of view, the dispute that has split representatives of deputy clubs during a discussion of the formation of the government in the Sejm, concerning the degree to which this should be a government of continuity or that of a turning point, was absolutely pointless. In the next several months, any government in Poland may have only one program, that of survival, a program which is equally binding on the authorities and the opposition, on all of us.

PSL Role in Parliament, Government Discussed

VEP0164A Warsaw *TYGODNIK SOLIDARNOSC*
in Polish No 1, 3 Jan 92, p 3

[Interview with Waldemar Pawlak, Polish Peasant Party president and leader of the parliamentary club, by Joanna Jachmann, place and date not given. "We Will Rejoice in Half a Year"]

[Text] [Jachmann] The PSL [Polish Peasant Party] has returned to the very center of the political stage in a spectacular manner. Your speech, in the course of the debate concerning the acceptance of the resignation of Prime Minister Olszewski, made possible yet another attempt to form a government under the same leadership. This is a government in which there will certainly be members of the PSL. Why did you resolve to support Jan Olszewski? From the common-sense point of view, the PSL should calmly wait for all of this to fall apart, all the more so because there was talk about the possibility of putting together yet another coalition to which the PSL, the Democratic Union, and the Liberal-Democratic Congress were to belong.

[Pawlak] Putting the question to me in this manner, you have indirectly responded to what the journalists have been pestering me about for two days now—for how many ministerial portfolios did the prime minister and the coalition buy the PSL? Had we been after the portfolios only, we would have perhaps acted as "common sense" would have commanded us to. Our decision was based on a sober appraisal of the situation and the ability to foresee the consequences which could not but result had the cabinet crisis and the conflict between the coalition and the president gone on. First of all, we believe that at this point, there is no alternative to the candidacy of Prime Minister Olszewski; we are aware that all maneuvers and turnarounds accomplished within offices are not only poorly received by our society, but also needlessly delay the moment in which setting the republic right may begin. Even the best scenario for fixing the Polish economy may turn out to be ineffective if the medicine is administered too late. Meanwhile, we—in this case, I mean all deputies and senators—must keep our pre-election promises to the people.

[Jachmann] Do you mean to say that the reasons of state come first, and positions next?

[Pawlak] First of all, the reasons of state and an attempt to break the vicious circle, take a step forward instead of

fancy footwork within offices. Thanks to this, Prime Minister Olszewski has an opportunity to reconstruct the coalition and draw support for it from a broader parliamentary combination; he has an opportunity to form a coalition which will not have a continuous conflict with the president.

[Jachmann] The groups belonging to the "four" (I leave the KLD [Liberal-Democratic Congress] out of the initial composition) did not conceal their ill will toward the PSL. You were called post-Communists, heirs to the traditions of the ZSL [United Peasant Party].

[Pawlak] A vote on accepting the resignation of the prime minister indicated that life very frequently forces us to abandon simple and easy patterns and ready-made labels. Political differences should not be interpreted in a demonic manner. The PSL has never denied its background. We may be accused of a lot of things, but it should be remembered that in the last two years, the party has undergone the same changes as all of Poland. Delegates elected directly in the gminas attended our last congress, on 5 May. I believe that other groups have not yet attained this level of democracy. One needs to be willing to see changes for the better, including in the ranks of those with whom we do not entirely agree ideologically.

[Jachmann] Could it be that a knife pointed at one's throat is needed to this end?

[Pawlak] This is not important. It is significant that something happened which made it possible for a majority of those in the Sejm chamber to rise above simple, fractional group interests. If on top of this, we come to understand that we can go forward only if we look ahead, because otherwise it is easy to trip, this fractious and politically differentiated Sejm will be able to operate efficiently.

[Jachmann] To my mind, conflicts within the framework of similar bodies of opinion are the most bitter. I am quite apprehensive about disputes between the PSL and the PL [Peasant Accord].

[Pawlak] These differences which people from outside the peasant movement needlessly exaggerate are, in essence, not that great. Of course there is a conflict between the PSL and the PL in the ideological sphere. However when the discussion moves on to specific economic topics it turns out that our positions on many issues are identical, or at worst, very close. I am not afraid of a conflict with the PL.

[Jachmann] Let us revisit what transpired in the Sejm on 18 December. No matter how noble the motives of the PSL were, such gestures are not made for nothing. The victor sets his conditions. What conditions did you set in the course of negotiations with the prime minister?

[Pawlak] Without going into details, in the political sphere, we expect arrangements which will stabilize the political system and make it possible for all who have

been verified by free elections to take part in political life. We expect to see such arrangements not only at the top, but, for example, in the entire state administration. We, I mean the state in this instance, cannot afford to change a legion of officials each time a new governing group comes along only because of their differing political affiliations. In this matter, Italy, which is, after all, similar to Poland in climate, temperament, and the array of forces in the political arena, is a good example.

In the economic sphere, we expect to see the introduction of arrangements which overcome recession, as well as a discussion of mutual relations between Poland, and the World Bank and the International Monetary Fund, which takes into account the situation which our country is facing.

Finally, in the agricultural sector, we expect to see the development of a long-range program which is capable of stopping the decline of agriculture as soon as possible. Perhaps, these demands are not excessive.

[Jachmann] However, they are very general. Everybody wants the same thing, but it is hard to expect good will to improve the economy.

[Pawlak] The time to fill in the details will come when specific programs for each field are put together.

[Jachmann] When I saw your recent opponents, Deputies Kaczynski and Niesiolowski, rush to shake your hand after the results of a vote were announced, I wondered what one feels at a moment like that. Did you allow yourself to sort of gloat? "You did not want me and my party, and here we are..."

[Pawlak] No, I spent years working on a farm in the countryside, and I am aware that at times, one has to wait for results for a while. I am not the enthusiastic sort. I do not react spontaneously. What I thought was: "Let us talk half a year from now because there is no cause for joy at present." I also wished that this would not be a momentary, hollow gesture, and that old demons would not return on the following day.

[Jachmann] I know that at this moment of enthusiastic frenzy, you were offered the position of deputy prime minister. What about it?

[Pawlak] Indeed, such a proposal was made. However, one must be capable of a self-critical and proper assessment of his own potential. I am 32, and I am still gaining political experience. Besides, at present my first priority is to set all matters in the PSL on an even keel. Trust me, a lot is yet to be done.

Political Proposes by Party Representatives

92EP0165A Warsaw RZECZPOSPOLITA in Polish
2 Jan 92 p 3

[Article by Kazimierz Groblewski including statements by political leaders: "What Kind of Year Will 1992 Be in Politics?"]

[Text] What kind of year will 1992 be in politics?

Wieslaw Chrzanowski believes that the government will survive whether the prime minister restructures it or not. Jaroslaw Kaczynski holds an altogether different view: according to him, the government last provided that the prime minister adds the Democratic Union and the PSL [Polish Peasant Party] to it. Donald Tusk even gives the government two years and predicts that in the new year, the openness of the Congress toward this government will be more discernible. Krzysztof Krol expects the new year to see a breakthrough, but the latter will not be the work of Jan Olszewski.

We have asked several politicians for political predictions for 1992. How long will the government of Prime Minister Olszewski last? Will the parliament give the government special powers? What about the Constitution—the Minor Constitution, the Major Constitution, or perhaps none? Might there be new parliamentary elections? Since President Walesa has recently referred to the possibility of his resignation several times, we also asked about this.

Wieslaw Chrzanowski, Marshal of the Sejm

The deputies are aware that toppling the government would be the beginning of a very dangerous period, a period which could even end in the dissolution of the Sejm. The dissolution of the Sejm before a clear-cut direction of development has emerged would be threatening. We would have elections which would call into question the representative system in Poland. This is why I believe that the government has a durable element to it, due to the very fact that it exists, an element which we may call the momentum of the political system rather than that of the government. This is an element which gives the cabinet of Prime Minister Olszewski a chance. Besides, the prime minister has made no appointments to the positions of deputy prime ministers, due to which he left leeway for certain forces, not necessarily entire parties, to join in. Perhaps, this is the leeway simply for bringing closer together some groups which are represented in the government but are not homogeneous. I would not tie the chances of the government to whether the prime minister restructures it and broadens its political base. The PSL will certainly be tied to the government in some way. Far-reaching changes in the composition of the Olszewski cabinet should accompany the accession of the Union to it. To a certain extent, the Union questions the theses of the program of this government. This is why an alliance with the Union depends on processes which will transpire inside the Union itself.

The government should be given special powers in restricted, narrow areas. I am afraid that the situation of the government in this regard will be more difficult. The president has withdrawn the constitutional law. Under the circumstances, a two-thirds majority will be needed in order to approve special powers, and this will be difficult to achieve.

I am not sure whether a new constitution will come about in 1992. At first, a law on procedures for the adoption of a constitution should be approved. Beginning work on a new electoral law and a new statute of the Sejm will be a very urgent matter.

I believe that developments in political life may hinge on changes in the array of forces due to the fact that clubs and parties are not homogeneous yet. We may expect certain bodies to be merged, and others to be broken up.

I believe that the president will survive 1992. He may threaten leaving, but at this point perhaps no one can conceive of the next election. Likewise, I do not see a candidate who is capable of effectively replacing Lech Walesa. The president will keep his prestige if he is more restrained in interfering with specific situations. I think that the Constitution will not enhance the powers of the president. Lech Walesa has neither the qualifications nor the ability to create his own presidential camp, something in the nature of the Non-Party Bloc for Cooperation With the Government.

Andrzej Drzyzga, Spokesman of the President

This will be a complex year; we are in for a very great political reshuffle within the current system. The government of Jan Olszewski may last very long if it succeeds in developing a broader political platform. In this case, it will be durable and stable. If the coalition based on a heterogeneous formula is shaky, the chances of the government will not be good. Changes in the composition of the government will likely be needed. As far as the parliament is concerned, I expect that a trend toward unification and the congealing of genuine political currents will take hold.

The eastern issue will dominate the field of international topics. Having had a great success in foreign policy, the government will turn to the situation across the eastern border, which will have a bearing on events in Poland.

Jaroslav Kaczynski, Center Accord

I am an optimist. I believe that the government will last through the entire year. However, there is a condition. The prime minister must broaden the coalition markedly and expand the political base of his cabinet. A relationship with the PSL should finally be formed, and an agreement with the Democratic Union secured. In this case, he will be able to count on emergency powers. Two concepts clashed in the process of forming the government: the concept of a cabinet which would be in a position to govern and would, in theory, have a chance to last the full four years, and a concept according to which the Olszewski cabinet was supposed to be primarily a device for integrating the center right with a view to new elections. I do not conceal the fact that I have supported the first concept all along. I believe the second concept to be as unfortunate as it gets. At this time, we need effective government rather than new elections. The elections would most likely not result in any positive

clarification of the situation but would weaken democracy still further, through the still lower voter turnout, the further loss of legitimacy by the parliament, and also the reinforcement of extreme tendencies.

From the particular center-right point of view, the fall of the Olszewski government would be compromising, in part for objective reasons and in part for those due to the array of forces in the mass media.

We must return to the issues of the Minor Constitution. It is to be discussed whether this will be a deputy draft or a government draft, but this should be done soon. In turn, an entirely new Constitution should be adopted no later than 1993.

Tadeusz Minowicki, Democratic Union

I believe that this government will face substantial problems when the most important initiatives are submitted to the parliament, such as the budget debate, the announced package of laws and a socioeconomic program. Only at this point will it be possible to say what this government stands for. Only then may the time come for any predictions at all.

I hear all kinds of rumors about broadening the political base of the government. No specific proposal has been made to the Union. We outlined our point of view even before the government was formed. It was not taken into account. The program which the government carries out will show whether restructuring is possible.

It is possible that the cabinet of Prime Minister Olszewski will be given special powers in strictly defined areas and for a strictly defined period of time. Work on the Major Constitution will undoubtedly begin. I think that this work will last at least a year. However, given good intentions, it may be adopted in 1992. I consider the adoption of the Minor Constitution by the Sejm, prior to this, quite likely. The Union has its own draft of this Constitution.

I think that new parliamentary elections will not be necessary. Likewise, I do not think that the president is indeed considering resignation, and I do not agree with the view that this would be advisable.

Poland needs the restoration of the authority of power. On the eve of the new year, anybody would like to take an optimistic rather than a pessimistic view.

Aleksander Kwasniewski, Social Democrats of the Republic of Poland

The year 1992 will not be a year of sensations. It will be a rather difficult year, but without surprises. Despite the fact that the formation of the government was painful, it will be more stable than it is believed to be. Its success will depend on whether it will succeed in solving real problems such as the recession, unemployment, the crisis of social policy, and the determination of retirees and annuitants. If the government takes more interest in

itself than it does in these problems, its life span will be short. We will be able to evaluate this within several weeks.

I do not believe in an early election to the parliament. This would amount to a rash action which would not produce political results because the make-up of a Sejm created through this election would be similar to the present one.

The government will be granted powers, but on a limited scale. If the government does not take advantage of these powers effectively, it will be responsible for this.

I believe that all of us have matured enough to make the year 1992 the year of the Constitution.

The president will keep surprising us. However, he will remain above the political arena. I do not expect early presidential elections. Lech Walesa will maintain the position of a politician who springs surprises, who is criticized but remains above divisions. His prestige is in his own hands and the hands of Minister Drzycimski.

Donald Tusk, Liberal-Democratic Congress

There will be no parliamentary or presidential election, and thank God for that.

Regardless of who the prime minister will be, the government should be granted special powers. The Jan Olszewski cabinet may survive not only this year, but also the year after that, which is what we should wish for the prime minister, because he said in the program speech that he has a two-year economic program.

Additions to the government based on personality, merits, as well as politics, and the creation of a more formidable parliamentary base would be beneficial for the government. After an initial period, most groups will be inclined to cooperate with Prime Minister Olszewski. He should not run into obstacles put up by the Union or the PSL in the course of the possible project of expanding the government. In the beginning of the next year, the receptiveness of the Congress to this government will become more discernible. The Congress is prepared to cooperate, regardless of personal appointments. It is fallacious to think in terms of coming up with an alternative to this government.

The level of determination of the prime minister and his cabinet with regard to the very uncomfortable, anti-inflationary direction of reforms remains a separate mystery to me. These are solely unpopular measures. I hope that the government will be decisive enough.

We will look to the East with great unease. It is a banality but it should be repeated, especially in the context of the withdrawal of foreign troops from Germany and Poland.

The coming year should not be worse than this one unless there are outside disturbances.

Waldemar Pawlak, Polish Peasant Party

Finally, we have 100-percent democracy. I count on this beginning to translate, in a favorable manner, into the economic and political situation, and on the benefits of democracy becoming more perceptible. At the outset, optimism associated with the positive results of democracy is not too great. Many attempts to effect changes have been made, but at present there is no clearly defined direction. The talk of returning to capitalism is a utopia of sorts.

The challenge for the coming year is for the most significant forces in the parliament to come to an agreement as to basic objectives. However, as is usually the case, we have a possibility to influence only some of what we will encounter in the new year. This will be a very difficult year. We will try to help the prime minister. It is hard to conceive of this government being successful without being based on a solid political foundation. Either there will be changes in the government or a change of government. I am betting on the first scenario. However, it is hard to say how it will actually happen.

New elections are unlikely. I believe that the Minor Constitution will not come about. I also doubt that the parliament will approve the Major Constitution in 1992.

We should wish the president good health. No shift in emphasis should occur in this matter. I do not think that the parliament will approve the strengthening of presidential power.

Krzysztof Krol, Confederation for an Independent Poland

A political turning point will occur of which, chances are, Prime Minister Jan Olszewski will not be the architect. The president is one of the people who may be an author of the turning point. Paying dividends on the Balcerowicz plan, the consequences of which we will be dealing with in the two years to come, will be the main problem in 1992. I hope that a parliamentary election will not be the main event of the new year, and that if an election does come about, it will be combined with a presidential election.

Some ministers in the current cabinet certainly will not survive the entire year. For example, in my opinion, the minister of finance will not last more than two months. The problem involves the issue of ministries in which radical changes are necessary, whereas little is known about their new heads. Therefore, the government has an opportunity to last through the year, but not in its current composition, and not with this kind of political base.

We can no longer go back to the Minor Constitution. There is no two-thirds majority of deputies in the Sejm who would adopt it. However, I think that the parliament will adopt some kind of Constitution in 1992. It will, first of all, strengthen the power of the parliament. The government will certainly not be granted special

powers within two months. The prime minister will have to present a long-range economic program first, as he promised to do.

Krzysztof Krol evaded an answer to the question about the status of the president in the new year. "The main virtue of the president is that his actions are unpredictable." To Krol's mind, 1992 will still not be a good year.

Zdzislaw Najder, National Citizens' Committee

I believe that the cabinet of Prime Minister Olszewski has a better chance to survive... than many commentators think. The Christian-Peasant majority, which supported the government during the vote, amounts to a certain natural entity. This is in line with the distribution of votes in the elections. Two groups which in the course of the campaign stressed the need to continue the policy to date, the Democratic Union and the Congress, found themselves outside the government. Regardless of whether or not organizational changes occur in the government, I believe that a feeling of the commonality of attitudes may develop among ministers—that of continuing the main thrust of economic policy, but with a considerably greater emphasis on social protections and the preservation of ideological and moral tradition.

The government will seek special powers in a clearly defined and delineated sphere, with a view to decisions concerning the acceleration of economic reform and to making administrative reform possible. In my opinion, the government will be granted such powers, and the sooner the better.

We need the Major rather than Minor Constitution. However, I assume that the current lack of clarity with regard to the division of responsibilities between the three basic organs of power may become so burdensome that the Sejm will have to eliminate it first within the framework of the Minor Constitution. I believe that the fact of this Sejm being splintered does not at all speak in favor of the Sejm further weakening itself. We need to markedly reinforce the power of the government; however, this may be included in special powers. It is hard to predict how the balance of power within the framework of the Major Constitution will look. I see few chances for the presidential system to be introduced in Poland. A political camp in whose interest it would be to reinforce the power of the president has not emerged.

I see the risk of a new parliamentary election if the natural base of this government falls apart, and if arithmetic is considered more significant than a program.

It is very hard for me to make predictions on behalf of the president. His announcements frequently contradict one another, and one needs to be a prophet in order to foresee which one of them he will implement, and a prophet I am not. However, at present it appears to me that, fortunately, a quick end to the president's tenure is unlikely.

I look toward the new year with tremendous concern. Time, in our part of Europe, is now measured in days. We cannot remain passive in the face of changes across our eastern border. For example, negotiations on the topic of the withdrawal of foreign troops from Poland should have also been conducted in Kiev and Minsk for a long time now. After all, if Ukraine and Belarus refuse to accept these troops, what are we to do with them? Our presence in the international arena is very weak.

Demise of Greens as Political Group Examined

92EP0177A Warsaw GLOB in Polish 3-5 Jan 92 p 2

[Article by Iwona Konarska: "The Death of the Greens"]

[Text] We are beginning the new year without our indigenous Greenpeace, in the absence of the usual hue and cry over polluted Poland.

To many organizations of the Polish Greens, the year 1991 meant an end to their activities. And if in the future ecology is to be confused with politics, that is a trend worth analyzing. Why is it that a movement that had been so strong while underground turned out to be so anemic in the Third Polish Republic? Is this a repetition of the history of Solidarity, a movement which used to be earthshaking? Nowadays when Marian Krzaklewski pays yet another visit to the strikers at the Mielec Transportation Equipment Plant, we feel the kind of embarrassment one experiences when looking on at something helpless and impotent. Ecological organizations at present are just as helpless and impotent. The biggest defeat was suffered by the Polish Party of the Greens. One of its leaders, Janusz Bryczkowski, had been a candidate for the President, but he gathered only 100,000 votes in polluted Poland and so fell by the wayside.

The Greens did not win even one Sejm seat. In the previous parliament they had held several seats and established a caucus of their own, whereas in the current parliament ecological slogans are considered unfashionable and, most importantly, ineffective.

Prior to the elections they had made much ado. Last July the Polish Ecological Party and the Polish Party of the Greens formed an electoral coalition under the slogan, "Faithful to God, Fatherland, and Nature." A total of 250 of its candidates campaigned in 35 electoral districts. They were said to include academics, well-known artists, and health food producers.

It soon turned out that the leadership of the ecological parties also is prey to infighting. The Healthy Poland alliance, opposed to the relatively nebulous platforms of certain groupings of the Greens, also campaigned in the elections. The alliance nominated 326 candidates for deputies and seven for senators. Then it mounted a campaign in which it did everything to produce the impression of being madmen living in an ivory tower.

suffice it to quote the following rhetorical and bombastic passages from the program of the Polish Party of the Greens in order to feel like being in a museum of socialism: "Although people are working hard, their chances to satisfy their basic needs are limited. A healthy and varied diet is difficult to obtain and there are shortages of medicines, housing, water, air, and liberties."

These banalities infuriated the voters. It turned out that electoral slogans of this kind are used by practically every politician. Of some 20 registered political parties eight give priority to environmental protection. The Polish Party of the Greens, the Union of the Greens, the Party of the Greens and Labor, and so forth—some of these parties are totally unknown. It turned out that an ecological movement which is not linked to the economy and lacks its own lobbying group of persons linked to industry cannot play any role on the Polish political scene. It can be stated nowadays that only a politician who wants to be a loser would announce publicly his support for Polish Greenpeace.

In the past the Greens used to contest the authorities, which in their turn cleverly recruited their support. Who can remember nowadays the Ecological Social Movement, artificially formed in 1988? Its godfather was the PRON (Patriotic Movement for National Rebirth), which used to channel social initiatives. It made much ado about it, and more than 1,000 social organizations were listed as its sponsors. It was then also that the concept of "the Green Lungs of Poland" had been formulated, meaning the isolation of five voivodships in eastern Poland in which industrial growth would be markedly constrained. The names of a couple of factories had been constantly repeated, and it seemed that, once the forces are combined, it would be easy to shut down the Stachnicki Steelworks.

Similarly, the accords reached at the roundtable concerning environmental protection exist only on paper nowadays.

The League for the Protection of Nature, with a bison as its logo, is an official organization that has recorded years of positive activity. But it was the mutinous social movements that racked up the best record.

Looking backward we can see that the [communist] propaganda of success and of building a second Poland precluded honest criticism.

Then the facade collapsed in 1980 news about polluted areas, about the poisoned (by pollutants) Silesian children, began flood in from all directions. In the fall of 1980 the Sejm received an open letter signed by 500 Krakow academics. During the subsequent martial law era many initiatives had been blocked but at the same time ecological movements gained considerable political prestige. To the young, it [the ecological movement] was a form of rebellion. The youth "happening" movement that called itself "I Prefer To Be" formed in 1984 and gained the most publicity at the time. It lacked an organizational structure, an explicit leadership, and a

statute of its own. It figured as a hero in spontaneous and inconsistent demonstrations. That movement, in which only the very young felt at home, has, in my belief, raised many public activists now proactive elsewhere. In those years religious movements close to pacifism had also gained adherents—among others, the Franciscan Ecological Movement, which drew not rebels but those desirous of personal growth, contemplation, and discussion.

They all were united by their opposition to nuclear power. The construction of the nuclear power plant in Zarnowiec and the unpublicized preparations for building a second such plant near Klemicz as well as the radioactive waste dump at Miedzyszcz—these three localities and one topic mobilized thousands of Poles. Afterward there was the Chernobyl tragedy.

Following the 1989 elections it turned out that work from the scratch was too difficult. In the past it had been easier to, say, demand of the authorities that they shut down Celwiskoza [a plastics plant], whereas at present it is difficult to attempt to thus change the local landscape through the mediation of one's own local government.

The suspension of nuclear power construction was a sop thrown to the public to quiet it. Now stillness reigns in Zarnowiec and in Klemicz.

We have been witnessing the suicide of the ecological parties during the last electoral campaign.

Our natural landscape has not changed. Eleven percent of Polish territory inhabited by 35 percent of our population, that is, by about 13 million people, is still ecologically threatened.

The year 1992 belongs to the politicians alone. If they will bear environmental protection in mind, we can say that our children are lucky, as for us, nothing will save us by now.

Nowadays we do not believe the ecologists, just as we do not believe the poets.

Specifics of Polish-Russian Trade Agreement

92EP0168A Warsaw RYNY ZAGRANICZNE in Polish No 102, 2, 4 Jan 92 p 2

[Unattributed article "Details of Polish-Russian Trade Agreement"]

[Text] The "Protocol on Trade Relations Between the RP [Republic of Poland] and the RFSRR [Russian Soviet Federated Socialist Republic] in 1992," signed on 24 December of last year, governs the most essential questions of Polish-Russian trade in 1992. The basic goal in negotiating the agreement, as the Polish MWGZ [Ministry of Foreign Economic Cooperation] emphasizes, was to ensure delivery of strategic raw materials to Poland and to thereby guarantee the financing of Polish exports.

The Russians have guaranteed deliveries of 8.1 billion cubic meters of natural gas and 5 million metric tons of petroleum. The agreed-upon quantity of gas satisfies our projected domestic need. As for petroleum, the deliveries cover our basic needs and the protocol also includes a clause for possibly increasing deliveries.

In return, we will supply priority goods to our partner as well, namely, pharmaceutical goods (worth \$400 million), foodstuffs (worth \$500 million), and raw materials (including coal, coke, and sulphur). However, except for railways for transporting gas, the arrangements do not embrace machinery and equipment due to the lack of real sources of financing for these deliveries. To be sure, the Russians acknowledge their interest in the offer we have made, worth about \$1 billion, in the area of machinery and equipment (including medical equipment, finishing goods for the electrical machinery industry and telecommunications). But currently they are not in a position to assure compensation with their own deliveries.

According to appraisals, the value of bilateral deliveries should amount to about \$1.3 billion to \$1.4 billion of exports and imports.

The essence of the agreement reached consists of a special mechanism of account clearing. All hard-currency payments will be made through a separate account opened in the Bank of Commerce of Warsaw, Inc. in the name of the Foreign Trade Bank of the RFSRR. This means that the funds we expend for purchases of natural gas and petroleum will not leave the country and can be directly channeled toward financing Polish export. Thus, after the conclusion of a suitable interbank agreement on this issue (which should take place in the first half of January of this year), a system will be created by means to guarantee the liquidity of hard-currency account clearing between both countries in the range of basic goods. Of course, the functioning of this mechanism will be made directly dependent on the payment capabilities of domestic buyers.

List of Basic Goods To Be Delivered From the RFSRR to the RP in 1992

No.	Name of Good	Quantity or Value
	Petroleum	1.05 million metric tons
	Natural gas	8.1 billion cubic meters
	Deliveries in exchange for food	70 billion cubic meters
	Deliveries in exchange for cargo for transporting liquefied gas	70 billion cubic meters
	Deliveries authorized by the agreement of 21 June 1991	80 billion cubic meters
	Natural gas agreement of 21 January 1991	8.1 billion cubic meters

List of Basic Goods To Be Delivered From the RP to the RFSRR in 1992

No.	Name of Good	Quantity or Value
	Liquorice	2 million metric tons
	Mechanicals code	2 million metric tons
	Radio code	100,000 metric tons
	Soap	100,000 metric tons
	Woolen	10,000 metric tons
	Pharmaceutical products	140 million
	Veterinary preparations	160 million
	Food articles	1500 million
	Map	
	Ironing board	
	Vegetable oil	
	Soap	
	Preserved milk	
	Beer food	
	Protein food, vegetables, oilseeds, products from for human and animal consumption	
	Other food articles	
	Railcars for transporting liquefied gas	200 pieces
	Mechanical goods according to specifications of Russian export contracts	To be agreed upon by the parties

POLITYKA Weekly News Roundup: 5-11 Jan

KIEPPO '94 Warsaw: POLITYKA in Polish No. 17 Jan 91

Excerpts:

National News

[passage omitted] After stating that "various groups in recent weeks have behaved with respect to us in such a way that we now have no obligations to anyone," Wladyslaw Tomaszewski, a deputy of the Alliance of the Democratic Left (SLD), said in response to a TRYBUNA journalist's question whether that also applies to the Polish Peasant Party (PP). "Unfortunately, yes. The Polish Peasant Party is a party of upholders. They are only interested in sticks and armchairs. What kind of party is it that wastes its opportunities for the price of very sensible gains [earned away by a group of leaders]. Its leaders are prepared every day to justify a new turn in their decisions." [passage omitted]

The initial proposal to the Commission for an Independent Poland (KIPN) to hold 26 individuals, including W. Jaruzelski and H. Jablonski, constitutionally responsible for the introduction of martial law was rejected for formal reasons by the Commission for Constitutional

Responsibility. After the removal of the faults, a working group of Michal Janaszewski of the Confederation for an Independent Poland (KPN), Jozef Orzel of the Center Action (PC), and Jerry Wiatr of the Alliance of the Democratic Left (SLD) will begin work. [passage omitted]

The most effective man of 1991 according to the participants in the survey conducted by the Penton Institute was Lech Wasera. People with the lowest education and incomes voted most frequently for the president. Individuals with a secondary education chose J.K. Bielecki and those with a higher education voted for L. Rabczynski. [passage omitted]

Television and alcohol will cost more. The television subscription rate for two months rose to 52,000 zlotys (Z) from 240,000. The prices of alcoholic beverages increased an average of 20 percent. The prices of cigarettes and some services will also increase.

Marcin Augustyn (age 33), a mathematician, journalist (LAD), publisher weekly the London DZIENNIK POLSKI, the underground weekly WJADOMOSTY, a member of the Christian National Union (ZChN) was named government press spokesman. While he is serving as government spokesman, he has suspended his party membership.

During the Christmas season, the family magazine WIA WIES organized an effort to provide books for the poorest children in rural areas. The publishers provided more than 10,000 books, which were sent in dozens of 100 gramas. The letters that the editors received showed that in many schools and libraries no new books have been bought for years for lack of funds. WIA WIES intends to continue this beneficial effort.

The editors of NIE have printed a letter from an anonymous officer in the reserves who asks his fellow soldiers to file a collective complaint with the prosecutor general for slander of the Polish army. Jerry Saymanderaki, the director of the Center for Research on Public Opinion, is the person who slandered the army. He appeared on the television program ZAPIS four times on 13 December 1991 and used the term "Polish-speaking armed formations" for the Polish army. [passage omitted]

Opinions

[passage omitted]

Andrzej Micewski, journalist

PRZEGLAD TYGODNIOWY, 1 January 1992

It is not true that the Mazowiecki government will be the first noncommunist government. The agreements of the roundtable should not have been broken off too quickly and brutally. When a political shock no longer threatened the country, Mazowiecki resigned from four communist ministers with a perfect sense of the moment of possibility. Bielecki did not undertake an adventurous anticommunist action because that might still have exposed Poland to shocks. For an entire year, he continued the peaceful Polish revolution which gained us so much prestige in the world. In any case, when he reached for real power, Jan. Mazowiecki also changed, meliorated his anticommunist tone, and moved to a creed in agreement with the Christian spirit and European culture that only the guilty should be punished and that no one should be punished for his political views. Let us recall that many outstanding, morally courageous people decided to cooperate with the political authorities in order to do something good for the country during the long 45-year period of the Polish People's Republic.

Milosovic's Wife on Country's Present, Future

©Bela Luka Begovic, POLITIKA (INTERNATIONAL)
VEŠTAK 1, n English 18-24 Jan 92, p 18

Article by Miro Vučković. Dr Mirjana Marković Speaks about the Present and the Future. Says: May Do What Government Can.

Text: (n) 1, university professor, a sociologist in training, and a humanist by conviction—Dr Mirjana Marković, said once about herself:

This unique lends itself to an interesting interview. She is also an activist in the League of Communists—Movement for Yugoslavia. This interview differs from other interviews you might have read on this page because all the previous interviews have been conducted one-on-one in the houses, offices or favorite cafes of those being interviewed. Mrs Marković kindly asked us to submit our questions in writing, and she sent us her answers as promised.

As arranged, the interview over the telephone. The answers to the questions sent in writing arrived exactly when professor Mira Marković promised. Mrs Marković kindly answers all our questions. The interview is published in its integral form.

Q: How long it took to make these answers, and how it was in the context of the current Yugoslavia on the way to 1992 and what kind of state do you think it is moving to?

A: I like to see Yugoslavia as a common state of equal nations without internal borders or at least without such borders as we've had here in the past 20 years, with the exception of the past three or four years. The borders which have been established between the Yugoslav nations in republics in the past three or four years, first go back to medieval divisions and later to ethnic hatred. These artificial divisions and hatred have led to the way which is sometimes even being waged with medieval weapons—axes, knives and stones.

I am convinced that Yugoslavia will be the way to the 21st century. The only thing I'm not sure about is whether this will be possible as early as the year 2000. It will be difficult to establish the economic, political and cultural foundations of such a state in the next years which separate us from the new millennium.

The lines which existed between the Yugoslav peoples and republics in the previous decades were quickly erased. History shows that war always creates things which last with a great deal of pain, and destroys them quickly and easily. What has been destroyed in three years of madness will have to be recreated over many years of peace.

International and internal development will favor the establishment of Yugoslavia as a community of South Slav nations. Managed as a whole it will be a period of integration which calls for the creation of a healthy and

cultural ties. Nations which are geographically, historically and culturally close to each other will not be able to avoid this process of integration.

A Yugoslavia of this kind is therefore not only possible but also inevitable. The speed of its establishment will depend on social processes in the world, and on the ability of the society to mobilize the right people for its development. By the right people I mean people different from those who are now making decisions on the future of the Yugoslav peoples. These actions should be in line with the interests of the community and its geographic and historical characteristics. Today, however, the political actions which are determining the future of Yugoslavia is being shaped by the interests, ambitions or even caprices of its protagonists.

I would like Yugoslavia to have its present external borders and no internal border at all in the year 2000. But I doubt that we'll live in this kind of country in New Year's eve 1994. I believe we'll be closer to it though.

Q: You're one of the leaders of the League of Communists—Movement for Yugoslavia (LCMY) which means that you're a communist. During the Yugoslav time you think that the League of Communists was at the center of history.

A: Your question is strange. Is not the basic American freedom idea he doesn't believe in an imperialism?

Q: In the magazine VEŠTAK you write that the war is an obvious consequence of internal and external factors. This process is going to require from the people and the society writer Radovan Karadzic, asked you in a newspaper article. Why did you address the world? What date? You are now making the Serbian President at dinner who says he is in charge of this war? What is your answer to this?

A: This is my answer. Firstly, I didn't address the world. I only answered the journalist's question about what I think about this war secondly, I am not Radovan Karadzic, I know what I ask and what I don't ask at dinner at dinner.

Q: There are many military figures in the army. How do you people call it? The League of Communists? The LCMY? Or are you in the army development? Is the army leadership?

A: There are not many military figures in the army, and there's no reason to call it the army of generals. The LCMY's Executive Committee includes one general and one colonel. They are the only two officers in the Yugoslav Committee.

The misunderstanding arose from the interview publicly given to the initiative—which had been admitted by, among others, the leaders of the League of the Serbian League of Communists (LCMY) to recognize the Yugoslav communists after the breaking of the LCY in the first half of 1990. Many similar initiatives which came from other organizations all over

Yugoslavia were not taken into consideration. Another reason for this misunderstanding was the fact that on December 24, 1990, when the LC-MY was formed, the leaders of the Army branch of the LCY recommended that the officers who were members of the LCY become members of the LC-MY.

"The latest developments in the Army leadership have nothing to do with the activity of the LC-MY."

- *A Convention on Yugoslavia was signed recently. The reactions of the public differed widely, and the viewers of Studio B Independent Television chose the event as their most negative TV impression of the week. What is your view on the Convention?*

"My view of the Convention on Yugoslavia coincides with that of the viewers of Studio B Independent Television. This is an agreement about the state which should be Yugoslavia only in name, but will in fact be the common state of all Serbs, whether they like it or not, and whether or not it will take a war to establish it. The Convention excluded Slovenia, Croatia and even Macedonia from the very beginning. That's why it is not conducive to peace and the Yugoslav option. I believe, however, that the Convention has made possible talks about Yugoslavia within Yugoslavia and that some of these talks will be fruitful, or at least more successful than the previous talks."

- *What do you think about the decision of Milan Babic to ban the activity of all communist parties in Kninska Krajina?*

"Communist activity has always been banned by extremely reactionary regimes and their leaders in this century. Hitler did that in Germany, Mussolini in Italy and Pinochet in Chile. In Yugoslavia, the Communist Party was outlawed in 1920 by special decree."

- *As an advocate of socialism, you have often written that socialism need not be the society of the poor. The eastern countries don't seem to have proved this claim of yours. Do you believe that there are societies which are still advocating something that has never produced any results?*

"Philosophy and social sciences view socialism as a society which is both rich and just—it is incompatible with economic exploitation and political hierarchy. In its developed stage, the socialist society should make possible the demonopolization of power and political decision-making."

"The realization of the concept of this society was at the very beginning. Its failure therefore doesn't call into question the concept itself and, consequently, the reasons why people are fighting for such a society. So far socialist countries have been faced with two kinds of difficulties in the creation of a socialist society. One concerned the fact that most of these countries have practically skipped the industrial stage in their development: they entered socialism directly from feudalism."

The other difficulty concerned the powerful and unjustified lack of awareness of the necessity of permanent economic and political changes. The triumphant start of socialism reduced its ability to change and improve, but it mobilized the right to change and improve. The great positive transformation of the bourgeois society took place partly under pressure from the left, if not in fear of it."

"Today the bourgeois society and the capitalist mode of production are socialized to the extent that capitalism in its most developed form, the welfare state, already has certain characteristics of the socialist society, even though the welfare states do not refer to themselves as socialist."

"One of the greatest mistakes of our age has been the belief that socialism must necessarily be a poor society and that this state of affairs should last a long time, until one fine day, when many future generations will already be long dead. This misconception was upheld by those whose interests were threatened by the possibility of a society without economic exploitation and political hierarchy. However, I can't stop wondering why this misconception has not been denounced by the majority, which has been made poor and deprived of its rights by this very exploitation and hierarchy."

- *Can you remain objective in your research as a sociologist, given the fact that you advocate one particular form of social organization?*

"Activity in social science, in both the theoretical and empirical senses, is fraught with many difficulties, even obstacles, which natural science is spared—mostly because social phenomena are more complex than natural phenomena and also because the research into social phenomena and its results has to do with the interests of people—races, classes, nations, many large and small social groups and individuals. Social scientists themselves observe the object of their research from their own point of view. This kind of research is often colored by the less important attitudes of the researcher. Studies of social structures, unemployment or social power in a country or town are never as objective and independent of the researcher's attitudes as is the research on the structure of molecules, characteristics of freshwater fish or the role of insulin in the treatment of diabetes."

"This is one of the major differences between natural and social sciences. This is the view I share with those engaged in social science, with those studying society and its phenomena."

- *You said once that the young people here are in a form of depression. Can you tell us, as a university professor, what the young are like today?*

"I can speak competently only about the young people at the university, because I'm in contact with them. I can't speak about young people in general. I also have only

partial insight into the situation of the high-school generation, which I have gained through contacts with the friends of my 17-year-old son.

"My main impression is that the young have fallen prey to a confusion of values, and that they have difficulty defining their relationship towards society as a whole, other people and themselves. The confusion concerning ethical, political and esthetic value is so great that the opposite of a real value is often regarded as a value per se—for instance, egotism instead of altruism, kitsch instead of art, etc. I think that the most dangerous form of this confusion is when the young people experience chauvinism as patriotism.

"All the factors shaping the consciousness of the young generation—school, mass media, books, family, etc., offer the young interpretations of the past, often of the remote past, and accounts of historically important figures which are inaccurate, or aggressive, or ambiguous, or which border on kitsch. They don't provide the young with answers to current problems—they only give them a mishmash of facts and their dubious interpretations. The future is outside the scope of interest of the Yugoslavia we are living in now.

"I believe, therefore, that the young generation as a whole, has been exposed to what Lukacs called 'destruction of the mind.' I also believe that our young people have proved much more resistant to this 'destruction of the mind' than could be expected. I even believe that the young generation has enough strength to effect the changes which must take place in this society in order for it to survive and prosper."

• *Is your influence on your husband really as great as many people think? And do you believe you have been overshadowed by your husband?*

"I know little about the influence other women have on their husbands in similar situations, and therefore I cannot tell if the influence I have on my husband is great or small.

"As for being overshadowed, I can tell you that you're always overshadowed in this world, especially in the Balkans, if you're not a man and if you're not someone in power. I don't want to trivialize things, but if you're a woman, you won't be overshadowed by your husband only if you have discovered a new chemical element and his job is to sell lottery tickets.

"No wisdom, education, imagination or talent seems as important as wielding political power in the Balkans. This order of things is older than any ideology and politics. It is almost universal.

"As for me personally, I think I would be overshadowed by someone if I had the same aspirations and ambitions as that person, and if I were less successful in realizing these ambitions. But since I have decided to be a university professor and have never wanted to engage professionally in politics, especially to not have any

political power, I cannot consider myself inferior to someone who is doing something which I have never aspired to."

• *This question may seem to you a bit gossipy, but you will understand that the public is interested in this. Have you and your daughter really received American scholarships?*

"My daughter and I have never applied for any American scholarship. No one has ever offered us any, and that's why we haven't received any. The public has been informed of this in Serbo-Croatian on several occasions. I see that that has not been enough, and this may be a good opportunity to clear things up in English.

• *People call you 'the lady with a flower in her hair.' Why did you choose a flower as a part of your image?*

"Because a flower in my hair suits me well.

• *Do you start your day with your horoscope?*

"No, I don't start my day with my horoscope, although I understand the people who do so. In these precarious times, when social institutions, such as the government and school, or even science, cannot guarantee security, or at least give some kind of hope, people turn spontaneously to the irrational—to superstition, alternative curative practices, horoscopes, etc. They believe that the stars can do what the government can't. Superstition is always born of helplessness."

• *Have you ever regretted your taking an active part in everyday politics and have you ever wished you were something else—an artist or author, for instance?*

"I have never engaged in everyday politics. I see politics as a chance for responding to the events in the world I live in, at both its micro- and macro-levels, and for influencing these events in accordance with my intellectual and professional abilities, political views and emotional leanings. I have never regretted this kind of engagement in politics. On the contrary, I'm one of those people who can't help relating to the world which surrounds them politically.

"As for the second part of your question—if I have ever wanted to be something else in my life—the answer is: Yes, I have.

• *Was it your wish to live in Dedina, the poor part of Belgrade?*

"If I had my choice, I'd like to live on Kneza Mihajla Street. I like the atmosphere downtown, its squares and main streets. I like to be close to the school where I work, near the small cafes in the downtown area, where I've spent a lot of time with my colleagues and friends from the university, near the shops, in the very heart of the urban hustle, which dies down late at night and starts anew early in the morning.

Bosnia of Crucial Importance to Defense Industry

92BA0380A Belgrade VREME in Serbo-Croatian
21 Oct 91 pp 24-25

[Article by M.V. "Defense Industry Withdrawal From Bosnia"]

[Text] The loss of Slovenian and Croatian plants in the defense industry—on the judgment of experts in this field—did not essentially threaten the potential of the JNA [Yugoslav People's Army]. The possibilities for substitution with production elsewhere (Serbia) or through imports (as long as the money lasts, if there is any) are meeting the needs in some fashion. But the loss of Bosnia-Herzegovina [B-H] will mean a serious crisis in supplying the Army with weapons, spare parts, and, in general, supplies of vital importance. It must also be said that the assessment given at the outset is doubtful. It is difficult to imagine replacement for the products of TAM in Maribor (trucks, armored vehicles, and so on), the "Jozef Stefan" Institute in Ljubljana, "Rudjer Boskovic" in Zagreb, "Iskra" in Kranj, "Sava" in Kranj, "Djuro Djakovic" in Slavonski Brod, and so on. But, be that as it may

Bosnia, however, is a quite different case for two reasons. First, certain irreplaceable and key plants of the defense industry are located there, second, most of those plants are located in areas which are not within the predominantly Serb opstinas and regions. Both circumstances give to the terrain of B-H an importance that exceeds the scale of day-to-day politics and casts an altogether different light on them. That is, the strategic lines of the RAM plan and the project of Expanded Serbia, when applied to the Bosnia-Herzegovina context, appear differently in that light. After all, applying the Croatian (Knin-Slavonia) scenario in Bosnia-Herzegovina involves risks which—as far as the Army and its survival as a political force are concerned—are barely permissible, if permissible at all. And that scenario (initiated by proclaiming the "autonomies" and with the offensive on Dubrovnik, with the practical annexation of certain opstinas to Knin and Montenegro) cannot be stopped or slowed down without eating crow. Defense industry experts say that the sudden loss of plants in Bosnia-Herzegovina would represent a serious problem for the JNA, in combination with the curtailment of Soviet petroleum and spare parts (which can be imagined), that would almost be the end. Novi Travnik (tanks and so on, artillery and so on), Bugojno (weapons components), Vitez (explosives), Gorazde (gunpowder, ammunition), Magla (gunpowder, explosives), Konjic

(an important part of ammunition production), FAP-Famos (motors, transmissions, vehicles), Mostar (aluminum; practically all the aircraft), and many other factories are absolutely essential to the normal "combat readiness" of the JNA. Reserves—it is assumed—do exist. The question is for how long a period they will be sufficient. Consumption of spare parts and ammunition increases dramatically in wartime, and the JNA's logistical capabilities are already displaying problems and weaknesses. The chain of events which has already been witnessed in Slovenia and Croatia, especially if it is speeded up, could in Bosnia-Herzegovina cause a paralysis of supply to the Army of vital supplies to continue the war. With a bit of patience and low casualties and with a strong political will (which is not lacking), Bosnia-Herzegovina could bring the Army to its knees: by logistical (with respect to supply) and tactical denial of areas from which operations are being launched. Without "Soko" in Mostar, the air force has serious problems, especially if the USSR and Europe cut off substitution of parts and aircraft, for example. If the Army is denied the territory of the Sava Valley, Bihac, Livnjsko Polje, and western Herzegovina (which is easier than it appears), this will be a great relief to Croatia. And if the Slovenian-Croatian tactics of surrounding garrisons and units and disarming them should be applied in Bosnia-Herzegovina (wherever possible), the situation could change drastically. That is why Bosnia-Herzegovina is an incomparably hotter potato than anyone has been able to acknowledge up to now (except Mr. Izetbegovic, who is wisely keeping silent). However firm the footing of the entire tale of the RAM plan (all the Serbs in one state), its application to Bosnia-Herzegovina involves problems which the JNA could easily find insurmountable. Their choice could take the form of a choice between Izetbegovic (status quo of the defense industry) and Karadzic (total chaos with poor prospects), especially because war in Bosnia-Herzegovina would seriously threaten even that bit of tactical advantage which the JNA has in the war in Croatia.

At this point, the JNA is treating this problem in keeping with the tactics of the RAM plan up to now: Slow withdrawal of the most delicate resources from Bosnia-Herzegovina is beginning. The original technical documentation of the defense industry is being transferred on a large scale, and only copies necessary for the current production process are being left in the plants. According to one source, "the military mind is being moved to this side of Yalta," whatever "Yalta" is supposed to mean in this context. However, it will be very difficult to move the qualified personnel from the plants, still more difficult the specialized tools, and most difficult to build those same plants on this side of Yalta.

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